DOCUMENT RESUME

ED 260 431 CS 209 219

AUTHOR Cole, John Y., Ed.
TITLE Responsibilities of the American Book Community.
INSTITUTION Library of Congress, Washington, D.C.
REPORT NO ISBN-0-8444-0328-8
PUB DATE 81
NOTE 88p.
PUB TYPE Books (010) -- Viewpoints (120)

EDRS PRICE MF01/PC04 Plus Postage.
DESCRIPTORS *Books; *Business Responsibility; Communication (Thought Transfer); *Marketing; *Publications; Public Relations; *Publishing Industry
IDENTIFIERS *Book Sales; *Booksellers

ABSTRACT

The responsibilities of publishers and booksellers are discussed in this book, which is divided into three parts. Part I sketches the remarks of the principal speakers at the invitational colloquium on the "Private and Public Responsibilities of the American Publisher" held on April 4 and 5, 1979, and includes the papers of two of these speakers: "On Having Responsibilities and Being Responsible" by Erwin A. Glikes and "The Private and Public Responsibilities of the American Publisher" by Lewis A. Coser. Part II contains a report, by Hugh Seidman, of the January 30, 1980, symposium sponsored by the American Center of PEN (Poets, Playwrights, Editors, Essayists, and Novelists) International and the Arthur Garfield Hayes Center for Civil Liberties of New York University, as well as selected statements made at the March 13, 1980, hearings before the Senate Subcommittee on Antitrust, Monopoly, and Business Rights of the Committee on the Judiciary. Part III summarizes the April 25, 1980, seminar on "The Co-Responsibilities of American Publishers and Booksellers" and includes the four papers commissioned for the seminar: "Publishers and Booksellers: The Perennial Odd Couple" by John Tebbel, "American Publishers and Booksellers: A Personal Perspective" by Carl A. Kroch, "The Responsibilities of Publishers to Booksellers" by George A. Brockway, and "Inflation: A Dilemma for All Book Industry Participants" by E. Wayne Nordberg. (EL)

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Responsibilities of the American Book Community

Edited by John Y. Cole
Executive Director, The Center for the Book

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Library of Congress Washington 1981

CS 209 219

This book is printed on permanent/durable paper.

Library of Congress Cataloging in Publication Data
Main entry under title:

Responsibilities of the American book community

Contents: The April 4-5, 1979 seminar: Private and public responsibilities of the American publisher. On having responsibilities and being responsible / Erwin A. Glikes — The private and public responsibilities of the American publisher / Lewis A. Coser — The January 1980 PEN symposium and March 1980 U.S. Senate hearings: publishers, authors, and booksellers. Can books survive the book business? / Hugh Seidman — [etc.]

1. Publishers and publishing — United States — Addresses, essays, lectures. 2. Booksellers and bookselling — United States — Addresses, essays, lectures. I. Cole, John Young, 1940- . II. Center for the Book.

Z471.R47 070.5'0973 81-607006
ISBN 0-8444-0328-8 AACR2

For sale by the Information Office, Library of Congress, Washington, D.C. 20540
Price $7.95

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Preface

In April 1979 and April 1980, the Center for the Book in the Library of Congress sponsored two invitational seminars aimed at encouraging discussion among publishers and booksellers of their "responsibilities" — to the general reading public, to authors, to librarians, to each other, and of course to themselves. As the papers and statements in this volume demonstrate, the topic is not an easy one to address. Nonetheless it is an essential one, and the Center for the Book will continue to draw additional parts of the book world into what we hope becomes a continuing discussion about the responsibilities, perceived and real, of the various segments of the book community.

The Center for the Book is a natural forum for such a discussion, since one of its principal purposes is to make the book community aware of its common interests and interdependent nature. The need for such discussions —and for improved communication within the book community — has never been more urgent. Herbert Bailey, director of the Princeton University Press, wrote in the April 1977 issue of *Scholarly Publishing* that where the book community

should be working together for the advancement of scholarship and for the good of society, we seem to be separated by a system that puts authors and publishers and booksellers and librarians and finally readers in opposition to each other, so that we often offend each other in seeking our individual interests — in copyright, in selecting publications, in making academic appointments, in purchasing, in the prices we charge, [*and*] *in the uses we make of books.*

This situation has worsened since 1977, with clashes among authors, publishers, booksellers, and librarians becoming more common each year. Copyright, book distribution, discount rates, royalties and secondary rights, the rise of chain bookstores, The

American Book Awards (TABA), and the proposed creation of a central, national periodicals center are among the contested issues. But during 1978-80, at least, the most divisive issue probably was the charge of undue economic concentration in the media, and especially in the book industry. On December 14-15, 1978, the Federal Trade Commission held a symposium on the subject of media concentration and, as indicated by Erwin A. Glikes's paper in this volume, the topic was of concern to the participants in the April 4-5, 1979, symposium at the Library of Congress. Interest and controversy continued through the January 30, 1980, symposium sponsored by the American Center of PEN International, and publishers, authors, and booksellers had their say on March 13, 1980, when the U.S. Senate Committee on the Judiciary held hearings on concentration in book publishing and bookselling. The April 25, 1980, meeting at the Library of Congress on the co-responsibilities of American publishers and booksellers, also reported in this volume, emphasized positive ways that publishers and booksellers could work together to promote books and reading. Futhermore, as the papers by Lewis Coser and John Tebbel demonstrate, a special effort was made in the two Library of Congress seminars to put the topics being discussed into a historical perspective.

No matter what the issue, controversies within the book community seem to be intensified by poor communication among the parties involved. It is here that the Center for the Book believes it can make a contribution toward improving the "state of the book world" —by providing a neutral forum for the airing of diverse points of view and an opportunity for involvement in cooperative projects that will benefit all segments of the book and educational communities. As part of this effort, the center is pleased to make the papers commissioned for its seminars, the discussions at these and related meetings, plus statements and position papers from the PEN symposium and the Senate hearings, available to a wider audience.

The Center for the Book strives to serve as a useful catalyst among those segments of the book community referred to by Herbert Bailey —authors, publishers, booksellers, librarians, scholars, and readers. It was created by an Act of Congress, Public Law 95-129, to stimulate appreciation of the essential role of the book and the printed word in our society. Drawing on the resources of the Library of Congress, the center works with organizations throughout the book and educational communities to promote books and reading. The center sponsors a variety of popular and scholarly programs, projects, and publications which may deal with any of the following topics: the educational and cultural role of the book, nationally and internationally; the history of books and printing; the future of the book, especially as it relates to new technologies and other media; authorship and writing; printing, publishing, and the preservation of books; access to and use of books and printed materials; reading; and literacy. The center's program of activities and its publications are supported entirely by tax-deductible gifts from individuals and organizations.

The Center for the Book is especially grateful to the following individuals who assisted in arranging the meetings on which this volume is based; Werner Mark Linz, president, Seabury Press, his colleagues on the Association of American Publisher's committee on education for publishing, and G. Roysce Smith, executive director of the American Booksellers Association. In addition, we are grateful to the American Center of PEN International and to the U.S. Senate Subcommittee on Antitrust, Monopoly, and Business Rights for permission to use the material in Section II.

John Y. Cole
August 1980

A Summary of the Meeting

During April and May 1979, the Center for the Book in the Library of Congress sponsored or participated in three meetings concerned with the responsibilities of the American publisher. Taken together, these meetings can be seen as part of a Center for the Book program to encourage discussion among the various segments of the book community about the responsibilities, perceived and real, of each segment of the community. This cursory report sketches the remarks of the principal speakers, emphasizing common themes and general conclusions.

An invitational colloquium on the "Private and Public Responsibilities of the American Publisher" was held at the Library of Congress on April 4 and 5 under the auspices of the Center for the Book and the Education for Publishing Committee of the Association of American Publishers. Twenty-four publishers and scholars participated in the colloquium.

Erwin A. Glikes, vice president and publisher, Trade Department, Harper & Row, challenged his fellow publishers with a thesis that was referred to many times during the colloquium. He felt the publishing industry was about to move, for the first time, into the public spotlight. That spotlight "will focus long and intensely on such issues as the role of the profit motive, the size and structures of our businesses, the integrity of our authors, editors, and executives, and the extent to which our books are shaped by our social system and our society is shaped by those books." The meeting at the Library of Congress was an opportunity for publishers to begin discussing their responsibilities among themselves in preparation for the public debates ahead, for "one of the most time-consuming and yet necessary responsibilities of the publisher . . . will be to do what he can to make this [forthcoming] discussion of our industry and our profession an informed, rational, and constructive one."

Mr. Glikes emphasized that a national discussion of the responsibilities of the publisher has already begun, citing the recent "thorough indictment of the American school textbook" by Frances FitzGerald in recent issues of *The New Yorker;* a "new edge" to book reviewing "which often questions the motives or priorities of the publishing business"; the studies by Lewis A. Coser and his associates; and books such as David Halberstam's forthcoming "The Powers That Be." The debate should be a healthy one for publishing and for society, since "it is always appropriate to press hard for socially responsible publishing," but the debate and its implications must also be kept in the proper perspective.

Columnist, reporter, and author Martin Mayer chose to address the topic from his perspective as an "incorrigible economist." He also began by registering his unhappiness with the word "responsibilities" and preference for talking about "purposes" and "obligations."

Mr. Mayer found the publishing industry in reasonable sound shape economically and observed that some of the attitudes in the industry that trouble publishers "are simply expressions of the economics of the industry." The two prime examples are the concern about the American "fetish for best-sellers" rather than for more serious books and the fear that there are "too many books being published." In his view neither of these economic considerations should be serious causes for alarm. There was, however, a "dark side to the economics of publishing" and that was the distribution system. Mr. Mayer told the assembled publishers that one of their major "tasks and responsibilities" in the next few years was "to get that distribu-

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tion system working better." To do so they had to improve their relations with booksellers, for "the normal attitude of the publisher toward the bookseller breeds more fear than hope, more distrust than comradeship, and more contempt than support."

What additional "obligations" does the American publisher have? One is to bear the cost of the first reading of a manuscript — a costly but essential process. Another is to strengthen and maintain backlists for "when you slough off your backlist, you deny not only your cultural responsibility but also the longterm economic logic of your enterprise." Finally, publishers should do more to support libraries, for "we need library promotion... as never before. The aftermath of Proposition 13 has shown how politically weak the library constituency is."

Martin Mayer concluded with an optimistic assessment, telling his audience that he saw "no reason for you guys to pull the wagons into a tight circle and load the guns. I don't myself see all those Indians out there anyway.... Your problems are less that the natives are gunning for you than that the natives don't know you're here."

Sociologist Lewis A. Coser of the State University of New York, Stony Brook, observed that phrases like "the responsibilities of business" are likely to be mere window dressing "unless it is specified to whom responsibility is said to be owed." The differing views of publishers about the identity of the groups or individuals to whom they are directly responsible affect publishing strategies and concrete choices about what to publish. Furthermore, publishing standards, definitions of responsibilities, and concepts about the publisher's role are also "likely to be influenced by the reference groups that individual publishers have chosen for themselves." One contemporary shift in relations between publishers and their potential reference groups appears to be a "decrease in contact between the world of publishing and the house of intellect." Publishers and major editors have become so involved with businessmen, lawyers, literary agents, and "powerful decisionmakers in the area of subsidiary rights" that they are increasingly segregated from the intellectual and cultural world — a segregation that Mr. Coser sees as unhealthy for society generally. New bridges need to be built between publishers and authors.

Returning to the theme of decisionmaking, Mr. Coser discussed a typology of publishing houses recently proposed by French sociologist Pierre Bourdieu which suggests that firms looking to the distant future in their publishing decisions accumulate "symbolic capital" that contributes to the common culture and pays off in a business sense as well. These firms are geared to profit, as are their short-term oriented competitors, but by operating within an extended time frame they can "disregard, at least to some extent, considerations of immediate returns and quick maximization of profit." For example the Paris firm that published Samuel Beckett's *Waiting for Godot* in 1952 for a small audience found that its rate of sales increased by about 20 percent a year well into the 1960s. This example of "bucking the trend" is important because "if publishers make decisions only in terms of alleged market forces... they elude their responsibility to the common culture. It is only if and when they attempt to buck the trends, in some respects at least, that they assume full responsibility as active molders of culture."

Critic Ellen Moers brought an international perspective to the meeting with her comments on "global publishing for the Anglo-literates." Focusing on the potential international effect of the new copyright law, especially the planned phasing out by 1982 of the manufacturing provision, she looked to the day when American books by American writers would be manufactured anywhere in the world where English-language readers cre-

ated the necessary market. When "this new global role of American publishing" emerges, American publishers will have three important responsibilities "to our country and to our culture." The first is to see to the availability of serious American publications in other countries — and not just best-sellers. Secondly, "surely it is the responsibility of American publishing to encourage and subsidize" serious reviewing. Review media in other countries are desperately needed to tell people what is being published in the United States and to call attention to the best of those publications. Finally, "there is the responsibility to the best that is written in English abroad." As they "begin to dominate a global market," American publishers must assist in "ensuring an exchange of the best that is written here for the best that is written by Anglo-literates out there."

The papers presented at the meeting by Erwin A. Glikes and by Lewis A. Coser follow.

On Having Responsibilities and Being Responsible

Erwin A. Glikes

"It is no accident," as the old-time revolutionaries liked to say on every occasion, that we have come together just now to discuss "the social responsibility of the publisher." For a number of reasons growing directly out of our recent history as a nation, those industries and professions which concern themselves with gathering, shaping, and distributing interpretations of reality — whether in the form of art, information, news, or entertainment — now stand in a very bright light and will, I believe, remain there for some time to come. It is going to be a very hot light, and I fear that in its glare many of the subtleties of shading which constitute the truth will disappear into the stark contrasts and vivid colors of pure good and unmitigated evil.

The social responsibility of the publisher in the next years will be to bring his list, authors, colleagues, shareholders, and his numerous other publics safely through a period of pervasive national depression and anxiety arising out of our recent history, an anxiety which will focus its sense of loss and its yearnings for a better society on those who manage the organizations which interpret and present that history to the public. The spotlight will focus long and intensely on such issues as the role of the profit motive, the size and structures of our businesses, the integrity of our authors, editors, and executives, and the extent to which our books are shaped by our social system and our society is shaped by those books. This critique will be characterized by a full complement of useful, if sometimes painful, truths,

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by some excruciating and inextirpable half-truths, and by its share of outright, self-serving lies. One of the most time-consuming and yet necessary responsibilities of the publisher in this period will be to do what he can to make this discussion of our industry and our profession an informed, rational, and constructive one. And, for reasons I hope to make clearer, that isn't going to be easy. For the focusing of our attention on publishing will be only partially concerned with publishing at all.

The public's real concern is far deeper and broader. And it may be no great boon to our industry that this concern will be discussed largely in the context of publishing. That a national discussion of the responsibilities of publishers has begun there can be no doubt. In three recent issues of *The New Yorker* Frances FitzGerald has published a thorough indictment of the American school textbook.[1] There is, recently, a new edge to book reviewing, which goes more and more often beyond the achievements or shortcomings of individual titles under discussion to question the motives or priorities of the business itself. Major newspapers and magazines run regular features not on authors or books alone but on the practices and procedures of publishing. Our colleague Dr. Coser and his associates are engaged in an important full-scale academic study of how publishing decisions are made in our industry. David Halberstam will soon publish what is expected to be an immense best-seller on the relation of the media to society. And so it goes.

As that national discussion gets under way, it might be useful for us to step back a moment to consider what has most occupied our attention for the past few years. It may help us to understand what I believe is happening now.

Although in reality all important public issues wind their way through history more or less simultaneously, the spotlight of undivided public attention usually fixes on different issues at different times, following a more or less discernible and logical pattern dictated both by specific events and by the nation's intellectual history. And it is characteristic of that spotlight that it makes its subject look, for the moment, like the only thing in the world, while all else recedes into the darkness.

In the 1960s the spotlight moved suddenly from the threat of world communism, on which it had long been fixed, to the discovery of domestic poverty. It focused next on the intense struggle for civil rights and the charge that the United States was a wholly racist nation, North *and* South. Then it moved on to illuminate as never before the daily horrors of a disastrous war supported by three national administrations and opposed by an anguished movement of young people who seem to have despaired of their country. It explored next the question of national guilt revived by the murder of yet two more national leaders after the violent death of a popular president. And then the spotlight shone long and hard on the spectacle of a corrupt administration, on vice presidential and presidential resignations, and it cast a long shadow on the integrity of our national government. At the same time as these events occupied center stage, divorce rates rose, the family was declared dead and was then just as suddenly resuscitated, women rose up, the dollar declined, inflation took off, energy ran out, and cults came in. In fifteen short years we took part in a half dozen major national crises and another half dozen ongoing debates on matters of intense concern. Each of the great issues seemed to present itself, *and was presented by us to the public,* as a great crisis, crusade, or countercrusade, and each seemed to involve nothing less than our integrity as a nation and our viability as a civilization.

I think that the rapid succession of such phenomena within such a short time, all perceived by millions of people as national crises, is something relatively new. It used to take longer for an issue to become a crisis and

longer still for it to gather itself into a national debate, crusade, or countercrusade and then to either succeed or spend itself.

Today, as we know, our technological ability to gather up events while they are still happening and to communicate them to everyone instantly in full color has made more news "happen" faster than ever before in history. There seems to be no point today in contemplating Bishop Berkeley's question about the reality of the tree falling in the forest if there is no one there to hear it. We not only hear it—we see it fall. And the replay, and then the commentary, all week long. The only questions remaining seem to be "What does it *mean?*" and "What should we *do* about it." The rapid, numerous responses to these questions further swell the event, until in time our attentions are diverted only by the bewildering news that another tree has fallen in another part of the forest.

At least this *was* the pattern, until quite recently. Now I believe the national mood toward current affairs and toward those who present and interpret them has changed. I believe it is now a most troubling mood: a compound of exhaustion, skepticism, resentment, and (there is no contradiction in this) of ever greater expectations.

For years now the news has been bad. Perhaps for the first time we feel, individually and collectively, that we are part of a politically, economically, and emotionally imperiled society. Most of the messages from reality have tended to diminish and threaten an earlier American confidence in which we all shared. None of the major institutions of society, across which we once distributed the burdens of living and in which we found comfort and security, have come through these years intact: the government, the presidency, the universities, the medical and legal professions, the clergy, the schools, and the family are all perceived as less trustworthy, less to be relied upon than they were previously, by more people.

What does all this have to do with the media and especially with book publishing? Everything. For I believe that as our national fortunes became more uncertain and our traditional institutions lost our support and thereby their ability to support us, our publics have turned their expectations; understandably, if somewhat illogically, to the very organizations which in print and sound and images have exposed these losses. It should not surprise us, I suppose, that as a people in a difficult time we would seek help and demand solutions from those few organizations and occupations which we still believe retain the power to shape our culture and society—and thereby to alter our reality.

Perhaps foremost among these, it is believed, is the publisher, the man or woman who, by choosing what will be read, influences what will be thought and so, it is hoped, can determine what will happen. Nothing would be more flattering than to accept this definition and expectation. But this definition of our role, combined ("it is no accident") with this moment in our national history, creates a most volatile mixture.

Increasingly the publisher, I believe, will be asked to supply what is felt to be missing, all that is most needed, all that is most desired now that everything seems to have changed and diminished.

Once responsible *to* the society, the publisher is now held responsible *for* the society. If he does not seem to fulfill this great new expectation, then it will be said that the fault lies in new kinds of ownerships, new structures, "new marketplace" values and practices, and other real or purported changes in our industry. It will be implied that publishing no longer fulfills social responsibilities which it once did. We owe it to ourselves to carefully distinguish between what is true about these questions and what is merely socially acceptable.

How *is* publishing really doing today at fulfilling those social responsibilities which it has

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Increasingly the publisher. . . will be asked to supply what is felt to be missing, all that is most needed, all that is most desired now that everything seems to have changed and diminished.

always recognized? Has there been a marked change in what finally matters most, the books themselves? How much real hard research has been done on this — as opposed to anecdotal interviews? Very little as far as I know. This field of study is still in its infancy.

Are there fewer first novels being published today? No. Is there a decline in the quality of the best-seller list compared to twenty or fifty years ago? No, it is still a mixture of the good, the bad and the indifferent in entertainment, information, and self-help. Are any of the current inspirational best-sellers or diet books significantly different from the Kahlil Gibrans or the Gaylord Hausers which supported quality publishing houses through good and bad times years ago? Not at all. In fact, the current best-seller list displays immense sales of fine books by Barbara Tuchman, writing on the fourteenth century; by Theodore H. White, on the full sweep of recent history; and by William Manchester, on the life of Gen. Douglas MacArthur.

Yet the malaise about publishing is palpable. It comes from among ourselves and from our friends and critics in public in unceasing lamentations after an alleged golden age — one hears less of this from the grand old gentlemen who actually lived through those years — and in the growing expectation that publishers must set right what our recent history has undone.

There is no escaping it now. The debate is under way. Please don't mistake me. I believe it is *always* appropriate to press hard for socially responsible publishing. But what we must hope for — and try for — is that this debate will be conducted with a sense of proportion and with a lively respect for fact. We must not ourselves forget or fail to remind others that we discuss these matters in a time when many "publishing issues" may well be the platonic shadows of larger national realities which we can, it seems, no longer face directly. Much as publishers would like to be permitted to go on with their work—believing, as I think we do, that as many of us as ever before publish in good conscience and that our best efforts are indeed socially responsible — our cultural history dictates instead that it is now our turn for the dubious honor of full-scale national attention, complete with all the frightening displays of admiration and contempt which seem to accompany such scrutiny in a time of national need. Now it is we, who once aimed and focused the spotlight, who must stand in its bright glare.

[1]For Frances FitzGerald's full discussion of textbooks in American history, see ***America Revised*** **(Boston: Little, Brown, 1979)**

The Private and Public Responsibilities of the American Publisher

Lewis A. Coser

A few years ago when I was interviewing one of the last gentlemen-publishers on the New York publishing scene, the conversation happened to touch upon the publishing of scientific books. "No matter what others might feel about the matter," he said, "my house will never publish a book on a scientific subject that is not written by a person with the proper scientific training and credentials." "But what if Linus Pauling were to offer you a book on the common cold?" I asked. This question called forth some soul searching on the part of my respondent. On the one hand, he opined, Pauling was obviously a very great scientist; on the other hand, he was surely not a medical man. He finally said that he would decide in such cases according to the dictates of his conscience. Let me note in parenthesis that the terms *conscience* and *responsibility* loomed large in his vocabulary.

Some time after this interview, I picked up the *New York Times*[1] one morning and read and interview with an editor of Lippincott who was asked his reaction to the criticisms of a book on human cloning that his house had just published. "Lippincott," he said, "does not know if the story is true ... the author has written a book that will increase interest and debate."

These two incidents illustrate the difficulty of writing an essay on the responsibilities of American publishers. Not all firms share common criteria in this regard. The business of publishing was already quite diversified in the nineteenth century, and it has become even more differentiated in our day; so what may be sauce for the goose is emphatically not always sauce for the gander. Or, to be more specific, what Alfred A. Knopf may conceive to be the responsibility of the publisher is most unlikely to have much in common with Lyle Stuart's view of the matter.

It would, of course, be easy to concoct an ivory tower view of what, according to some pure and abstract standard, the responsibilities of publishers should ideally be. But this seems to me a vain exercise. Outside observers are in no position to legislate the moral standards of insiders, and if the outsiders nevertheless attempt to do so, they are likely to encounter a wall of hostility or, even more likely, of indifference among insiders, who are bound to see them as impractical dreamers who don't know, as they say, the real world.

Under the circumstances, the only feasible path seems to be to try to explore how the insiders in the publishing world view their responsibilities. But it is difficult to define what is meant by "responsibilities." Phrases like "the responsibilities of business," which are so frequently bandied about, are likely to be mere window dressing unless one specifies to whom responsibility is owed. Is it to the corporate organization as such, is it to the stockholders, or is it to the public at large?

In the world of American business, private interests and public interests hardly ever mesh perfectly. This becomes readily apparent if we consider what the economist H. William Kapp has called "the social costs of private enterprise."[2] Exclusive focus on the net income of the firm does not take into account important social costs of production borne by third persons as well as future generations. The significance of this issue is as great in regard to the publishing industry as it is to the rest of American business. To be sure, publishing houses do not pollute the environment in the ways chemical companies do, but it is by no means fanciful to suggest that they may

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Any firm, be it in cheese processing or book publishing, is constrained by the forces of the market to look at the bottom line.

"pollute" the minds of readers while engaged in the entirely legitimate quest for the maximization of profit.

Different publishing firms may conceive of their responsibilities in different ways, depending on whom they consider themselves to be responsible to. Some may think almost exclusively in terms of their responsibility to produce maximum profits for owners or stockholders, while others may see themselves as responsible to the educated public, or to the general public, or to the cultural traditions of America. Such differing views are obviously not just abstract considerations; they are likely to have tangible consequences when it comes to determining publishing strategies and making concrete choices on what to publish.

On one level, the publishing business does not differ from any other business. Any firm, be it in cheese processing or book publishing, is constrained by the forces of the market to look at the bottom line. The world of business, as Karl Marx showed so forcefully over a century ago, provides no niche for altruists. The forces of competition will soon eliminate anybody who remains oblivious to the pressures of the marketplace. What unites all publishing firms, from minuscule individual firms to large-scale corporate entities, is the root fact that all of them must be concerned with profitable operations. As highly diversified as the industry may otherwise be, the quest for profit provides the least common denominator for all its units. Yet this least common denominator is clearly not enough to explain the strategies of many publishing firms.

It is when we begin to ask what other responsibilities and obligations may play a part besides the quest for profit that we begin to see what distinguishes many, though not all, publishing houses from the common run of American businesses. Though all firms must strive for profit, immediate profitability need not be the main criterion when it comes to the publishing of any specific book. Precious little American poetry would be published today if the bottom line reigned supreme in all houses. Many fewer first novels would ever see the light of day, and many scholarly books could be produced only by academic presses. As a leading publisher put it in an interview:

I don't think we ever turn something down because it is going to lose money. We know that half of our books are not going to make money. My theory is let people look at the results. I don't want to be judged on a book-by-book basis. If we are not making enough money, or no one likes us, then I am doing a bad job. If at the end of a year enough books have made themselves felt and heard, and we have come out ahead financially, everything is fine. How I got there is my business. So far I have got away with it.

Yet we can all surely point to firms where profitability alone supplies the guiding criteria. These are the houses that see their responsibilities exclusively in narrow market terms and whose mode of operation most nearly resembles that of any other business enterprise. Other firms, however, while not oblivious of the forces of the market, operate in terms of a more complex set of criteria. These firms see themselves as responsible not only to stockholders, corporate headquarters, or private investors but to the educated public, the common culture, and the community of intellectuals and authors.

What makes for this difference in outlook and operating procedure may perhaps best be understood if we use a notion of the sociologist Robert K. Merton's, the concept of "reference group."[3] By this is meant the empirical fact that when making choices, people are likely to orient themselves to groups or individuals who are important in their lives. The choice of reference groups already plays a crucial role in the formation of personality in that it leads to a molding of the self in the image of others

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The company publishers and editors keep is likely to influence significantly the images they form of themselves and of their responsibilities.

which one has chosen as a point of reference. And so it is that the aspiring proper executive chooses successful businessmen of an older generation as a reference group, even as slum youngsters may choose successful operators in the numbers racket as theirs.

People, however, select their reference groups not by happenstance but on the basis of at least some chance to interact with them. A slum youngster, it stands to reason, would have great difficulty thinking of physicists as a reference group, since he is not likely ever to have encountered such persons in his significant environment. Nor is it likely that aspiring academic intellectuals will take successful entrepreneurs, who live in a world very different from their own, as points of reference.

I would suggest that publishing standards, definitions of responsibilities, and conceptions of the role of publishers are likely to be powerfully influenced by the reference groups that individual publishers have chosen for themselves. Those among them who from the beginning of their careers have lived mostly in a business environment and have chosen successful entrepreneurs as their reference will most likely be guided largely by the narrow logic of profitability, while those who have had earlier contacts with the world of intellect, be it in graduate schools or in close association with congeries of authors or other cultural creators, will be more likely to be guided by wider norms of responsibility than will their more strictly business-oriented colleagues.

Anyone conversant with the biographies of leading publishers either today or yesterday will, I think, be able to provide illustrations. The gentleman-publisher I quoted at the beginning of this paper was trained as a scientist in a prestigious university, and while I know nothing of the background of the editor from Lippincott, I would be willing to bet that he was not. If there is indeed some link between prior socialization and later perspective, then cultural background, it would seem, ought to be a major criterion in initial hiring policy.

People's personalities are not formed once and for all: we mold ourselves throughout our lives in continuous interaction with those we deem significant to us. It is not only early associates but also those with whom we currently interact who influence our outlook, values, and personality. The company publishers and editors keep is likely to influence significantly the images they form of themselves and of their responsibilities. Their decisions to publish or to refuse to publish specific books or categories of books will reflect their reference group-based standards.

Reading biographies or autobiographies of publishers of the past, one is struck by the fact that many of them are closely associated with their authors and with other writers, as well as with literary critics and other cultivated persons. To be sure, such contacts with major intellectuals and authors may loom larger in retrospective accounts than in actuality, but even if one must be prepared to discount such sources to a certain extent, it seems, nevertheless, that such interactions were more frequent and intense in the past than they are apt to be at present.

Some of this decrease in contact between the world of publishing and the house of intellect can be accounted for by the increase in size of many publishing firms and their increasing complexity. A publisher of a major house nowadays has wide and diversified tasks, so that he or she may simply no longer have the time and leisure for sustained associations with people outside the firm. This is especially likely to be the case in highly diversified houses in which the trade department, say, is neither the most important nor the most profitable part of overall operations.

In addition to increases in size and complexity, however, there is the important fact that, at present, most publishing contracts are no longer negotiated with the author but rather with literary agents or lawyers. The unmedi-

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ated contact with authors is increasingly replaced by a mediated relationship that minimizes the chances of close association between publisher and author except in the special case of highly prestigious and successful authors. A prominent editor-in-chief who had recently moved from a small, high-quality house to head a trade department in a large house told me in an interview that even though he was pleased at the considerable financial benefits that his recent move had brought about, he was worried by the fact that in his new position he saw "mostly lawyers and agents and [was] in danger of losing contact with creative writers and their manuscripts." While earlier he was in a position to assist in the creative process of his authors, he was now in danger of becoming simply a well-paid retailer of ideas.

What is happening at present, it seems to me, is that publishers and major editors become so involved with businessmen, lawyers, literary agents, and powerful decision makers in the area of subsidiary rights that they are in danger of losing contact with the world of the creative intellect. To the extent that they are segregated — or self-segregated — from the intellectual and cultural world, they are likely to let their general cultural responsibilities remain on the back burner, while the front burner is occupied by business considerations and calculations. It seems noteworthy in this respect that in a set of similarly worded interviews I conducted with English publishers and editors a few years ago, their comments differed markedly, with some respondents talking almost exclusively of the business aspects of their daily lives while others dwelled at some length on cultural aspects of their activities.

I would, of course, be silly to propose a blueprint of how to maximize contact between publishers and the world of culture and the intellect. One can hardly tell people what company they should keep. But I would suggest, nevertheless, that institutions such as the Center for the Book and the Association of American Publishers make a determined effort to help build as many bridges as possible between publishers and authors, between the men and women who are involved in the creation of culture and their counterparts in the world of publishing. In similar ways it seems to me that more regular and closer contacts between the academy and the world of publishing would be highly desirable. The more chances publishers and authors or potential authors have to meet each other, the more likely they are to regard each other as what the sociologist calls "significant others" and as important mutual reference groups. If and when this occurs, men and women of ideas are less likely to feel that "publishers are only out for money," and publishers are more likely to feel that cultural concerns or scholarly criteria should be accorded more weight than they are typically given in many firms at the present moment.

Let me now shift to a different but related topic. The French sociologist Pierre Bourdieu[4] recently proposed a typology of publishing houses in terms of whether they are oriented toward a short or toward an extended time span when making publishing decisions. He suggested that the more "commercial" the orientation of a firm, the shorter its time perspective and the greater the tendency to produce books that will meet a preexistent demand and concentrate on given readers' interests. Such houses, he suggests, are geared to rapid turnover of their offerings, the minimization of risks, and the quick obsolescence of their products. Houses geared to a longer time perspective, on the other hand, tend to accept higher risks, lower immediate profits and lower immediate turnover, in hopes that the books they publish will, in the long run, once they are part of the backlist, find buyers who are not immediately available. These houses are oriented toward the future. Such firms,

Bourdieu suggests, are not concerned with the immediate maximization of returns but rather tend to accumulate what he calls, in a memorable phrase, "symbolic capital." As an example of this latter strategy, Bourdieu points to the Paris house *Editions de Minuit*, which published Samuel Beckett, among other similar authors. *Waiting for Godot*, published in 1952, sold only ten thousand copies in the first five years but increased its rate of sales in subsequent years by about 20 precent per year, so that its cumulative sales by 1968 amounted to sixty-five thousand copies.

It would seem to me that Bourdieu here touches upon a significant component of publishers' decision making. He points to the fact that publishers intent upon acquiring symbolic capital must follow different strategies from those geared to quick accumulation of financial capital. But he is also highlighting the fact that firms concerned with symbolic capital are by no means engaged in philanthropic activities. They are geared to the logic of profitability just like their short-term-oriented competitors, but they operate within an extended time perspective that allows them to disregard, at least to some extent, considerations of immediate returns and quick maximization of profit.

I was most pleased to find quite similar ideas expressed by an eminent publisher, Peter Mayer, the chief executive officer of Penguin International, in his 1978 Bowker Memorial Lecture.[5] His pertinent remarks bear quoting at some length:

A caring for books preeminent to a purely business concern is anything but an an anti-business point of view. Instead, it is good business and only establishes that the time table for book publishing success may often be different from the time table of other industries viewed statistically. . . If everything *is current figures, it is a nasty industry that will burst out of the egg. . . . Without an eye to the future, regardless of current figures, the resultant enterprise will not only be shoddy, but also* economically *unpromising. . . . It is not that some enduring books will not be published, that some enduring writers will not be encouraged. It is rather that the emphasis of each firm will be increasingly on the ephemeral. . . and that the fortunes and energies and spirit of the firms and the people in them will be organized and oriented to a ramshackle machine driving forward at ever greater speeds.*

It is unlikely that Mr. Mayer was aware of Pierre Bourdieu's paper, which appeared in an obscure French sociological journal. The similarities in their general appraisal are all the more remarkable. They are not only at one in stressing the central importance of shorter or longer time perspectives in publishing, but they also agree that the longer perspective is not inherently inimical to the long-term profitability of a publishing house. If this is indeed the case, and I believe it is, it might be possible for responsible publishers to reconcile business considerations with larger and more extended concerns and with making contributions to our common culture. Admittedly, it may take some doing to convince accountants or business managers that the bottom line in any given year need not be the golden calf to which all other considerations must be sacrificed. But I do not think that the task is too demanding in an age in which, in many other spheres, it has become quite common to weigh investment decisions in the light of long-term and not in short-term benefits. When the Bell Telephone Company, a most profitable enterprise, can permit itself to finance a huge laboratory that is to a large extent geared to basic research which may pay off, if it ever will, only in the distant future, it does not seem so difficult to convert at least some financial agents or accountants to a longer time perspective in which cultural criteria are effectively maximized, especially when commercial criteria are by no means minimized.

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I am convinced that there is a large potential market for Henry James and William Faulkner outside college bookstores and elite outlets.

I am not arguing, of course, that all, or even most, houses are likely to be converted to a long time perspective. The pressures of the market place and the idols of instant success are too powerful to make this likely. But I am arguing that certain houses may be convinced, as some of them are convinced already, that the acquisition of "symbolic capital" is a strategy that will pay off commercially in the long run and will confer upon them a renown in the world of letters and ideas that will give them a place in the front rank of cultural leadership. Such houses might then become a saving remnant and a model for those who are concerned with the responsibilities of publishing.

I am particularly heartened by the fact that considerations of this kind have recently come from the publishing industry itself. I have already quoted Peter Mayer; let me highlight what another major figure in the industry, Oscar Dystel of Bantam Books, recently said of the matter.[8] Referring to the growing concentration on a few "block busters" in paperback publishing, he argued:

> *Lack of variety and subject coverage cuts into sales just as deeply as rising cover prices do. This lack of publishing variety and innovation, this lack of broad title inventory availability, this concentration on the big book and fads, does something else too that is perhaps even more detrimental to our growth. It does not allow us to live up to our cultural and social responsibilities as fully as we should to provide the widest possible choice of books—books that are the legacy of our cultural heritage, and books that explore the fringes of the present and the frontiers of new thinking. There should be space on at least some paperback racks. . . as there was not so many years ago, for writers like Henry James and William Faulkner. There should be room for the important books published today on social, political, and economic themes.*

I know that it will be objected that the trash that now almost preempts the paperback racks in drugstores, airplane terminals, and similar locations is "what the public wants." But I am not convinced. As Dwight Macdonald argued many years ago, "The March Hare explained to Alice that 'I like what I get' is not the same thing as 'I get what I like,' but March Hares have never been welcome on Madison Avenue."[9] I am convinced that there is a large potential market for Henry James and William Faulkner outside college bookstores and elite outlets, if publishers were only moving aggressively to tap it. Not that steamy romances or books of sexploitation should be discountinued, but it seems intuitively obvious that *Wuthering Heights* or *Sons and Lovers*, if given a chance and kept on the racks, might in the long run do quite well against the competition of contemporary trash.

If publishers make decisions only in terms of alleged market forces, if they simply respond to real or alleged trends in a passive fashion, they elude their responsibility to the common culture. It is only if and when they attempt to buck the trends, in some respects at least, that they assume full responsibility as active molders of culture. Furthermore, I have shown previously that bucking trends may turn out, upon inspection, to be by no means unprofitable. It may require more effort than following them, to be sure, but it might also be more satisfying to at least some publishers.

I understand that in some houses decisions to discontinue the publication of books are nowadays frequently relegated to computers. If the computer establishes that a certain item, no matter whether it is a major classic or a trashy bestseller of yesteryear, has fallen below a certain arbitrarily established minimum in a given year, it stops further sales. This cultural genocide by computer, I would submit, epitomizes the policies of firms that, by passively adjusting to sales trends of the moment, evade their larger responsibilities. It

may be extremely difficult to decide in a given case what the cultural responsibilities of publishers are, but it is easy to pinpoint decisions that are irresponsible.

I hope that these brief remarks will be received in the spirit they were meant. They were written in an effort to convey to an audience of distinguished publishers that academic persons like myself, far from attempting to lecture decision making publishers as to their responsibilities, should instead be concerned with starting a dialogue with them in efforts to explore solutions of mutual benefit.

Footnotes

1. *New York Times,* March 11, 1978
2. H. William Kapp, *The Social Costs of Private Enterprise* (New York: Schocken, 1971).
3. Robert K. Merton, *Social Theory and Social Structure* (New York: Free Press, 1968).
4. Pierre Bourdieu, "La Production de la croyance: contribution a une économie des biens symboliques," in *Actes de la recherche en sciences sociales* 13 (February 1977), esp. pp. 23-24.
5. *Publishers Weekly*, January 1, 1979, pp. 18-19.
6. *Publishers Weekly,* November 14, 1977, pp. 31-34.
7. Dwight Macdonald, "Masscult and Midcult," *Partisan Review* 27, no.2 (Spring 1960), pp. 203-33.

A Report on Additional Meetings

Responsibilities of American publishers continued to be the subject of discussion at further meetings on May 2 and 3 and on May 14, 1979.

The Textbook in American Education

On May 2 and 3, 1979, the Center for the Book and the National Institute of Education cosponsored a conference at the Library of Congress on "The Textbook in American Education." Although only one of the four sessions was devoted specifically to publishing, the relationship between the publisher and other segments of society was a major topic throughout the conference.

John H. Williamson, president of the Silver Burdett Company divided his paper into three major sections: "Myth and Fact in El-Hi Textbook Publishing," "The Textbook Selection Process," and "Meeting the Expressed Needs of Special Interest Groups." What follows, in greatly abridged form, are the nine myths described in the first section of his paper, myths that publishers — in Mr. Williamson's opinion—"regrettably have done little to dispel."

Myth: "The textbook industry is enormous." *Fact:* "The textbook industry is, by any measurement, a midget. The total sales of all el-hi publishers are currently about $700 million a year, or far less than the sales of a single division of some of the nation's largest corporations."

Myth: "The schools spend huge amounts of money on textbooks." *Fact:* "Textbook expenditures constitute approximately ¾ of 1 percent of the educational expenditures of the entire school system."

Myth: "Publishers are interested only in profits." *Fact:* "Publishing is a business serving a limited and highly specialized market. Any business that does not do all it can to serve its market well and to meet the expressed need of that market dies and private textbook publishing has survived since the days of Noah Webster. ... Profits are important to publishers. Without them they perish. But without money schools could not operate, colleges would close, and government agencies wither away ...and having some money left over at the end of the year is critical for publishers who must make investments in new and expensive products the following year and must encourage their owners (the stockholders) to support their continued operations."

Myth: "Publishers refuse to publish paperback textbooks that provide greater flexibility in the classroom." *Fact:* "Publishers have brought out paperback textbooks, mostly to their regret."

Myth: "Paperback textbooks can be sold at significantly lower prices than hard cover books." *Fact:* "The only difference in cost... is the cost of the cover itself, which is insignificant in overall costs of developing and publishing the materials."

Myth: "All textbooks are written by employees of publishing companies who know little or nothing about schools, and most of the important decisions are made by salespeople." *Fact:* "In general the planning ... (is) carried out by a joint team of authors and editors ... The salespeople's views—based on their field experience with the publisher's own works and those of competitors — are evaluated. Sometimes the team will accept them as valid; sometimes the views will be rejected."

Myth: "Publishers have a direct pipeline into the classroom and so can strongly influence both classroom teachers and their students." *Fact:* "Between the publisher and the classroom is a labyrinth through which educational materials must be guided by the publisher ... There simply is no way in which any publisher can exercise direct influence over the nation's classrooms".

Myth: "Textbooks are one of society's most potent instruments for controlling the minds of the young and determining their future values, standards, and customs." *Fact:* "Legislators, pressure groups of various kinds, and the educational establishment itself have a long history of disappointment in their efforts to mold society through textbook content."

Alexander J. Burke, Jr., president of McGraw-Hall Book Company, attributed the many "fundamental misconceptions" about textbook publishing to the publishing industry's "failure to communicate how the enterprise of textbook publishing is really conducted." He frequently referred to statements in the recent *New Yorker* articles by Frances FitzGerald and in Paul Goldstein's *Changing the American Schoolbook* (1978) as examples of popular misconceptions. Mr. Burke's "myths" included the notion that textbooks are written by committees, not authors, the insistence that textbook authors are chosen "for the prestige of their influence with school boards" rather than for their writing skills, and the contention that textbooks are a patchwork quilt of compromises where blandness and idealized images always dominate. He concluded in a positive vein: "No one welcomes the sound and perceptive criticism of textbooks, such as they have received from this conference [and] from Frances FitzGerald and Paul Goldstein, more than publishers. Textbook publishers and authors need responsive and constructive criticism ... Textbook publishing is a private part of the public enterprise of schooling. We must communicate better and more openly our views and our processes. Only the best will be good enough and among our many critics we have often missed the keen and caustic minds that are now giving textbooks the close examination they deserve. May their number increase!"

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Association of American Publishers

Several of the participants in the April 4 and 5 meeting at the Library of Congress made a special presentation on May 14, 1979, to the annual meeting of the Association of American Publishers in West Palm Beach, Florida. Sponsored by the AAP's Education for Publishing Committee, the session was chaired by committee head Werner Mark Linz, president and publisher of Seabury Press.

Samuel S. Vaughan, publisher, Doubleday and Company, commented on the discussions at the Library of Congress and reviewed the "rings of responsibilities" the publisher has — to owners, shareholders, employees, booksellers, librarians, educators, outside businesses that are part of the publishing process, reviewers, critics, and many others — but especially to authors and to readers. The meeting at the Library of Congress demonstrated the importance of publishers taking their private ideas of responsibility and "going public." If the publishing community does not discuss and define itself (and "the facts will do nicely"), others will go on doing it for them. As an example from the April 4-5 discussions, most of those present from outside the publishing world assumed that publishers control book distribution. In truth, "the distribution of books in this country is the result of millions of individual and independent decisions made daily — a freedom so complete that no wonder it resembles anarchy." Such basic misunderstandings can produce damaging long-term effects if those who are now so vocal in criticizing publishers persuade "other authors, legislators, agents, and others that we are some kind of cabal." The threat is real, even though "the notion of book publishers agreeing long enough to produce a conspiracy is amusing."

Mr. Vaughan observed that "perhaps the frustration, even rage, of folks who write and talk about us is caused by our refusal to have publishing dictated by watchdogs, vigilantes, or counselors who regularly offer us prescriptions for elitism and bankruptcy." Still, book publishers "are learning not to ignore well-founded and well-meant criticism." In concluding he stated his belief that "in serving private ends, we can serve the public interest. The great publishing houses were not built with a disregard for markets, authors, or profits — no matter how much a few publishers have posed or postured as if they had. We will never, of course, be above suspicion; we must never fall below respect, including our own... we are not passive purveyors of merchandise called books and neither are we simple gatekeepers, trolls collecting tolls. We hold an unfettered franchise, given us by the agency called freedom, and those who are free of formal or fixed responsibilities must therefore be the most responsible people of all."

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II. The January 1980 Symposium and March 1980 Hearings: Publishers, Authors, and Booksellers

Introduction

The Center for the Book was not involved in either of the events described in this section, both of which shed light on the responsibilities of the book community as seen by publishers, authors, and booksellers. Several of the participants in the PEN symposium did, however, take part in the Library of Congress meetings. Furthermore, the statements made by speakers at both events, but especially at the Senate hearings, represent the classic (and even extreme) positions behind some of the more polite discussions that took place at the Library of Congress. These statements are aimed primarily at special-interest constituencies. Accusations fly back and forth, just as they would if librarians, educators, or scholars had been involved. Such "confrontations" between the feuding segments of the community are not so much conflicts as they are opportunities to state positions and to "posture" for special constituencies. But they also provide a starting point for better communication, which is why they are included in this volume.

The report on the PEN symposium, "Can Books Survive the Book Business?," is reprinted from the May 1980 *PEN American Center Newsletter.* It was written by Hugh Seidman and is a good summary of a complicated set of panel presentations and discussions. The symposium, sponsored by the publishing industry committee of the American Center of PEN International (Poets, Playwrights, Editors, Essayists, and Novelists) and the Arthur Garfield Hayes Center for Civil Liberties, New York University, took place on January 30, 1980, at the university. Approximately five hundred people attended. The February 1, 1980, issue of the *New York Times* described the symposium in an article headlined "Future of Books Debated" and asserted, in the lead sentence, that publishers and authors were "natural adversaries."

The Senate hearings on March 13, 1980, took place before a much smaller and less enthusiastic audience. Senator Howard M. Metzenbaum, chairman of the Subcommittee on Antitrust, Monopoly, and Business Rights of the Committee on the Judiciary, opened the one-day session by outlining why he thought there was "cause for concern about the growth of concentration" in both book publishing and book selling.

The vast majority of (America's) 1700 hardback publishers cater to highly specialized markets—academic, religious, scientific and so on. But in the profitable, high volume parts of the publishing business—paperbacks and general interest book clubs—we find that eight publishers have over 80 percent of the paperback market and the two largest general interest book clubs together have a market share of over 50 percent.

Another disturbing pattern that has emerged in the publishing business is the ownership of book clubs and paperback publishers by companies that also publish hardbacks. This pattern of ownership creates a real danger that paperback publishers and book clubs will favor their own hardbacks, thereby depriving independent publishers of access to vital outlets for their books.

Furthermore, we see in the publishing business a trend that exists in too many sectors of today's economy—and that is the acquisition by larger firms of their smaller competitors and the entry into diverse industries by the large conglomerates. . . .

This trend toward greater and greater concentration exists as well in the book selling end of the business. There, we have seen in recent years the growth of large chains—chains which have been able to get discounts from

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publishers that are not available to independent booksellers. Those independents, who have traditionally stocked a wide variety of titles, have been rapidly losing their share of the market.

Fair and effective competition is important in every industry. But in these industries, whose products are essential to the open exchange of ideas guaranteed by the Constitution, the antitrust objectives of this Subcommittee converge with the principles of the First Amendment. For that reason, I believe that we must take special care to ensure that the channels available to Americans for the expression of ideas will remain open, numerous and free.

Representative statements from publishers and authors at the hearings have been reproduced, along with a statement from Maxwell J. Lillienstein, general counsel of the American Booksellers Association. Statements of two authors who testified, Barbara Tuchman and Dan E. Moldea, have not been included, but a statement from Archibald MacLeish, whose illness prevented his personal testimony, has been added. As of this writing, no further hearings or Senate action are contemplated.

Can Books Survive the Book Business?

Hugh Seidman

"Can Books Survive the Book Business?" — a symposium of publishers, writers and booksellers on conglomeratization — took place on Wednesday, January 30, at 8:00 P.M., before a capacity crowd in New York University's Schimmel Auditorium under the auspices of the Publishing Industry Committee of American PEN and the Arthur Garfield Hayes Center for Civil Liberties of NYU.

Bernard Malamud, PEN president, emphasized PEN's nonadversary position; the night was for inquiry and exchange of information. In his opinion, however, current economic inflation and especially publisher conglomeration have created an atmosphere of "flux and disturbance" in which the integrity of good trade books is being threatened in favor of what will sell. In March, he said, PEN would testify on such matters before the House Judiciary Committee.

Writer Patricia Bosworth, the first panelist, considers today's best books as good as those of the past, but said that the "gimmick" book threatens to engulf good entertainment books and those of artistic merit (e.g., most serious poetry in America is published by small presses). She called on writers, editors and publishers to unite and for publishers to remember the "curiosity" and "dreams" that initially brought many into the industry.

Alan Kellock, vice president for marketing at Waldenbooks, reminded the audience that 60

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percent of the book-club market is controlled by two clubs; one company controls 52 percent of mail-order sales; and 50 percent of all library texts are supplied by one company, Baker and Taylor. Thus, even though Walden itself is a conglomerate with 650 stores (Mr. Kellock had never met his bosses), compared to the $6.5-billion-a-year book business, it is a relative dwarf. Moreover, chains like Walden expand the book market and allow each store manager freedom of inventory.

Next, Richard Snyder, president of Simon and Schuster, disavowed any preconceptions; he said he had come to learn and did not want slogans or cliches. In his opinion, private/public/conglomerate matter little — what counts are books and staff. He knows from direct experience that the private publisher is often the worst censor, because one person controls the power. He expressed puzzlement at the pending investigations in Washington, and concluded with a promise to change his methods if the evening showed him to be wrong.

Maxwell J. Lillienstein made the point, during his turn, that he was not speaking as general counsel for the American Booksellers Association but rather as a concerned person. He stressed that bigness, conglomerates, and technology are not inherently bad, but that rapidly escalating conglomerate power in publishing and book retailing within the last decade have made all three very dangerous. Trade books might be on the verge of extinction (though chain stores have helped reading in America). He is most disturbed by the threat to First Amendment rights under present trends.

As a small-press publisher and former independent bookman (currently director of the Yale Coop Book Department), Ted Wilentz saw the problem as one of art versus commerce. Publishing is commerce: the good equals dollars. Further consolidation is inevitable ("you are either a whale or inside a whale"), since power begets power. Thus, big book chains are favored, taste is standardized, and audience fads are maximized. Mr. Wilentz exhorted publishers to remember that literature comes from love and that books (aside from best-sellers) can become valuable. He suggested: (1) publicize the dangers of conglomeration, (2) oppose false advertising by book sellers and discriminatory practices against them by publishers, (3) engender more government support for the arts and small presses, and (4) put bookmen on the National Endowment for the Arts (NEA).

On a somewhat lighter note, Calvin Trillin, the writer, observed that the shelf life of most books was somewhere between milk and yogurt. More seriously, he felt that writers do not miss the "gentlemanly" publishing house, but that the two biggest threats to them are the publisher's obsession with the "blockbuster" best-seller (often sold to the bookstores in large quantities even before it appears in print, forcing rejection of small orders of "lesser" books) and with subsidiary-rights sales (creating even more concentration on the "blockbuster").

As a successful independent publisher, George P. Brockway, the chairman of W.W. Norton, recalled that the predicted demise of companies such as his had not happened, although he did not defend conglomerates nor admire those houses that had gone public (Norton, on the other hand, was not for sale). He maintained: (1) anticonglomeration measures proposed by the Authors Guild (and supported by PEN) would correct no actual ills and (2) Congress would be better advised to examine the mass market distribution system rather than publishing.

After panelist Shana Alexander had summarized the preceding remarks of the panelists, Carolyn Kizer, the poet and former director of Literary Programs for the NEA, read some comments from editors who preferred to remain anonymous. In general their depressing, yet graphic, message accused both the

A "trash tax" on high-earning authors would help subsidize less affluent ones.

big conglomerate publishers and book chains of sacrificing literature to the dollar and of destroying serious writing in America.

Following the speakers, a discussion and response period commenced. Janet Bailey, an independent book dealer from Chicago, said that her inventory is largely determined by the economics of competition with the conglomerate book chains and her profits are down from two or three years ago. Factors such as more costly returns and higher postal rates made small orders of one or two copies and the stocking of alternate-press material difficult, although many customers crave serious literature.

An agent, Peter Skolnick, has seen his options shrink due to conglomeratization because two houses are now often just one. And John J. Simon, the editor, thinks rising production costs will force publishers to make up losses on authors. Also, in ten years, one out of every three bookstores now operating will be closed.

Mr. Brockway condemned the prevalence of hearsay and the "gossip" of the Authors Guild that had inspired self-serving congressional investigation. The Authors Guild's wish that publishers be limited to one line of business would ruin Norton and force them to discontinue their hardback trade book in favor of the much more lucrative paperback college text.

Like many of the other speakers, Ted Solataroff, the former editor of *American Review* (now unthinkable because of costs), reiterated the theme of economic hard times. He saw little difference between conglomerates and independents, except that conglomerates tend to foster high profit expectations (though they are not unique in this). He wondered if profit margins are compatible with literature.

In a reply to Mr. Brockway, Mr. Lillienstein stressed that it was not gossip that publishers want "blockbusters" and favor large chains with discounts amounting to 17 percent. He feared that five hundred thousand or more small dealers might be driven out of business (in 1977, 50 percent of all such stores were operating marginally) and that their passing would spell the demise of literature and disaster to society.

Although Mr. Snyder conceded the publishers' interest in best-sellers (amid some hisses from the audience), most of their time goes to finding good young authors; unfortunately, not many exist. He sees nothing wrong with selling rights, and although books come first and the stability of independent bookmen is important, no publisher can afford to ignore the big chains (with 50 percent of the market). Furthermore, any book, no matter how bad, is better than no book.

After some further remarks by Diana Trilling, Mr. Kellock, and critic John Simon, editor Fran McCullough charged that huge advances and subsidiary payments for a few mass market books have deprived most other authors of daily subsistence and unit-sale potential; in short, there is no market for serious fiction. Mr. Snyder corroborated the problem of advances, yet bemoaned the loss of young talent from the book industry to glamour professions like television and film.

Next, novelist Sol Yurick exhorted publishers to put money into the independents and to create a separate house for outstanding writers; a "trash tax" on high-earning authors would help subsidize less affluent ones. Robert Lifton lamented the "erosion" of the author/editor relationship. Alienated from the firm, the able editor becomes a publisher himself rather than a creative partner to the writer.

Concluding comments were offered by David Wilk, current literature director of the NEA (he sees no dearth of fine young writers), Gay Talese (he questions Doubleday's seriousness after their purchase of the New York Mets); Mr. Yurick (big firms don't take chances); Avery Corman (should the best-seller list be removed?); Mr. Wilentz (yes! — end it); and Mr. Lillienstein (keep government

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out of the book business and handle problems internally).

Among all who spoke, a struggling independent publisher named Larry Hill perhaps exemplified most poignantly the contradictions and frustrations of "books versus business." Norton, he said, is conservative and successful, but he is small and cannot get his books into the big book chains. Three of his independent distributors have just gone out of business. The major publishers, he said, are not interested in the experimentation necessary for free speech and communication, while many authors are in fact desperately seeking outlets. Finally, he called on independent booksellers and publishers to improve channels of communication.

Thus, although perhaps lacking in solutions, the first PEN symposium on publishing clearly demonstrated that serious questions do indeed exist relative to the whole writer/publisher/seller continuum. Under the influence of big power and big dollars, the small independent bookseller and publisher appear to be losing ground to the big chains and the discount incentives offered by the conglomerate houses. The writer of serious or experimental literature and the serious editor are suffering the distortions created by the publisher's obsession with the best-seller and the concommitant sale of subsidiary rights. On the other hand, there is evidence that such conditions have prevailed and will always prevail in some form or other. It is hoped, in any case, that more exchanges between concerned parties will take place.

Concentration in Book Publishing and Bookselling

Selected statements made at the March 13, 1980, hearings before the Subcommittee on Antitrust, Monopoly, and Business Rights of the U.S. Committee on the Judiciary

Statement by Townsend W. Hoopes
President,
Association of American Publishers

The charges of undue concentration and loss of independence in book publishing were first publicly raised in 1977 by the Authors Guild in a long, legalistic memorandum presented at a press conference cosponsored by Congressman Morris Udall. The particular charges were very wide of the mark. The Association of American Publishers was not anxious to foster a public controversy over a complicated issue, but a number of ensuing newspaper stories, feeding on the guild memorandum, threatened a serious distortion of the facts in the public mind, and so brought us to the conclusion that we had an obligation to set the record straight. Following is an updated summary of the essential facts which we first published in early 1978.

- There has been uninterrupted growth in the number of active publishing firms since the Depression. The number has grown from a low point of 410 in 1934 to approximately 1,700 in 1978.
- That is a 400 percent increase in forty-five years. Over the past twenty years alone, the growth has been more than 30 percent, and it continues at a steady rate of about 2.3

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percent a year — net after business failures and mergers.

- There has also been a steady growth in the number of new book titles published each year, rising from 15,000 in 1960 to 40,000 in 1974. There was a slight downturn in 1975, but the 1978 total was over 42,000 new books. Growth is likely to continue, although at a somewhat slower rate.
- The total number of book titles maintained in print (the backlist) has also steadily risen — from 140,000 in 1962 to 490,000 in 1978.
- The fifty largest publishing houses share approximately 75 percent of the market. Comparative market shares in other industries show that a smaller number of firms frequently absorb much higher percentages (figures in the 80 to 90 percent range are not uncommon for the top ten companies). The larger book companies are highly competitive with each other.
- Growth of market share within the industry has been greatest in the smaller and medium-sized companies. For example, the smallest thirty companies in the top fifty group took market share away from the largest companies over the past twenty years, in a period of general growth and expansion.
- Acquisition and merger rates in book publishing have been historically two or three times higher than those for American industry as a whole. There are two basic reasons for this: a large number of new book publishing companies are started each year, and they are of very modest size on the average. This combination of large numbers and small size of new ventures creates a natural incentive for survival by merger.
- Despite the high rate of merger activity, the number of book publishing companies has continued to grow every year.
- The great majority of publishing mergers have been regarded by the government as normal competitive developments.

We believe these basic facts convincingly refute the allegations that undue concentration exists in book publishing, that mergers have reduced the opportunities for authors to be published, and that such mergers, in the words of the Authors Guild memorandum, threaten the "very existence" of the book community.

We believe that one reason why these facts are disputed in some quarters is that a number of authors, journalists, and even some publishers tend to mix together two separate issues — namely, undue concentration and publishing independence. Undue concentration generally describes a situation wherein a substantial and perhaps growing percentage of market share is held by a few companies. Publishing independence generally means the unfettered ability of a publishing house to decide what books it will publish. Both terms reflect relative, rather than absolute, conditions. Moreover, although the two issues are sometimes related, they are basically separate and distinct. Some mergers may lead to an increase of market share, but others do not. Some mergers may curtail to some degree the full and free exercise of publishing independence, and others may enhance it. Freedom to publish is not synonymous with any particular scale of operations. Smallness especially is not a guarantee; indeed, the continued independence of a small publishing house may require the reenforcement of additional capital and other resources, because freedom is often limited by economic weakness. We are generally opposed to forcible takeovers, for they raise potentially the greatest dangers to publishing independence.

We believe this position is fully consistent with the central truth that book publishing today is a flexible, open industry, characterized by ease of entry and vigorous competition. It is not overly concentrated and certainly not subject to improvement by government intervention.

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In the book publishing business the marketplace really dictates what happens and how publishing businesses must be managed.

Statement by Alexander C. Hoffman
Vice President,
Doubleday and Company
Chairman, Association of
American Publishers

Mr. Hoopes has given you a good overview of the competitive nature of the book publishing business as a whole. To that picture I would only add that I believe the immense diversity of original trade publishing in the United States is likely to continue to expand in the future. Book publishing is not capital intensive, and new publishing ventures are being established constantly. Regional publishing seems on the rise, particularly on the West Coast, and the only thing I can imagine reversing this trend would be action by the government to make economically sound or necessary mergers of smaller publishing ventures into larger ones more difficult to accomplish.

I understand that, in addition to the question of concentration in book publishing as a whole, you are interested in understanding the operations of book clubs and mass market paperback publishing and particularly whether common ownership of clubs and paperback and hardcover publishing houses may constitute a threat to competition or somehow diminish opportunity for authors. I can speak to these matters with firsthand knowledge since my house—Doubleday—happens to be in virtually all aspects of the business. I think that once you understand how each part of it actually functions, you will see why hardcover, paperback, and club operations, in order to be successful, *must* operate competitively regardless of ownership.

Let's start with hardcover publishing, since that is where most trade books begin. The publisher is continually risking investment in royalty advances to authors and the costs of first printings in hopes of selling enough copies to earn these investments back. Typically, a trade publisher of general fiction and nonfiction fails with a clear majority of the new books he publishes—public taste is simply not very predictable. He must carry these losses with good sales from the minority of his new books which succeed plus sales from his backlist—books published in past years which have proven to have a continuing market. But beyond the trade sales of his books through retail bookstores, the hardcover publisher also seeks to broaden the market for as many of his books as possible by having them selected by book clubs and mass market paperback reprinters. For the most part, these channels of distribution complement hardcover retail sales rather than compete with them.

Now, let's look at how a book club works and what it must do to succeed. I imagine you are most interested in the large general interest clubs such as the Literary Guild and the Book-of-the-Month-Club (as opposed to the many smaller special interest clubs), so I'll describe that part of the market. To succeed, such a club must continually attract a large number of new members and meet the interests of its current members well enough to hold them for a sufficient period to make the average membership profitable. To do this, the club must have a very high batting average in selecting well in advance of publication those forthcoming books which will be wanted by a reasonable percentage of its members. Club editors screen manuscripts sent to them very early by the hardcover publishers, and in effect take the same kind of gamble the hardcover publisher takes when he makes a royalty advance to an author. The club guarantees a given royalty payment for the book club distribution rights to a book, hoping that the book will in fact sell enough copies to members to earn out that guaranteed payment. When you read that the Book-of-the-Month-Club or the Literary Guild paid $X for book club rights to a title, it means that they guaranteed to pay that

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much in royalties no matter how few copies club members may buy. Of course, if club members buy enough copies to earn more in royalty payments, more will be paid, but never less.

The same *modus operandi* generally applies to mass market paperback publishing. Paperback houses bid in the form of royalty guarantees for paperback reprint rights for books they think will have a sufficiently broad market to warrant mass distribution in supermarkets, newsstands, airports, and the countless other places paperback books are sold in addition to bookstores. They too gamble on their advance judgment of market acceptance.

If you will think a minute about the workings of these three risky businesses, I think you can see why they must operate quite independently of one another even if they have a common owner. Any hardcover publisher must do his best to obtain the optimum sale of book club and paperback rights (the proceeds of which are split between the author and publisher). If he did otherwise, he would soon find few authors interested in publishing with him. Thus, you find, for example, that the Book-of-the-Month Club had our immensely popular book *Jaws* by Peter Benchley simply because they bid more for it than our own Literary Guild. Conversely, last year the Literary Guild outbid the Book-of-the-Month Club for Frank MacDonald's book about the art world entitled *Provenance,* which was published by Little, Brown (BOM and Little, Brown both being owned by Time-Life).

Now consider the question from the side of the clubs. To succeed, they must offer books their members will buy in some quantity. Their editors must be free to exercise their best judgment to select books from all sources. If any of the clubs in our Book Club Division were to try to operate with a disproportionate number of Doubleday books simply because of their source, they would undoubtedly founder in the marketplace. The economics of the business are such that we must continually test to determine the optimum use of all space in our current member announcements and new member promotions in order to remain profitable, and our editors must be totally free to make their judgments in light of this experience.

The situation is quite similar concerning hardcover and mass market paperback publishers. The hardcover publisher must seek out the best paperback bids for his books, in the author's interest as well as his own. If he did otherwise, his authors would leave the house in droves. Thus, Doubleday hardcover books are published by all of the mass market houses, and our subsidiary Dell competes with all of them for books they want, often unsuccessfully. For example, Bantam outbid Dell for *Jaws,* and Fawcett outbid Dell for Lucian Truscott's recent bestseller *Dress Gray.* Again, from the paperback publisher's side, if one were to select titles disproportionately from a single hardcover house, he would undoubtedly suffer disaster in the marketplace.

The sum of all this is simply that in the book publishing business the marketplace really dictates what happens and how publishing businesses must be managed. It simply is not practically subject to manipulation, even if one were foolish enough to be disposed to try. We choose to be in the book business at all levels because we like it and think we're pretty good at it. And because we have reasonably successful ventures in book clubs and elementary and secondary textbook publishing, we are able to approach original trade publishing and its high risks with greater latitude than would perhaps otherwise be possible. We like to think that we are a positive factor in expanding the audience for authors and the market for books in every available manner.

Editors and scholars are not votives who guard the truth against the black knights of capitalism.

Statement by William Jovanovich
Chairman,
Harcourt Brace Jovanovich, Inc.

There is among some Americans the tendency to ascribe melodrama, or mere egregious incident, to the presence of conspiracies. Worse, we see everywhere the ill effects of sheer size in commercial and other bureaucracies. We begin to think of conspiracy as history. We accept that a bullet is more dangerous when fired by a tall man.

You recall American Express's offer to take over McGraw-Hill? McGraw-Hill's ad in the *New York Times* was a splendid piece of invective. I presume its errors in English usage were put there on purpose — to show how a man, awakened from his bed, will not stoop to niceties as he rushes to bar the door. In that ad the editor of *Business Week*, himself a McGraw-Hill employee, said that a publisher's editorial integrity and independence were at risk if American Express were to succeed. Good God! It makes the blood run cold!

I don't blame McGraw-Hill or Mr. Lipton, its kamikaze lawyer, for applying a generally invalid argument. I *do* blame publishers and authors and editors who rushed to man the pumps of liberty when McGraw-Hill yelled "Fire!" in a public theater just because a strange man put his hand on its knee. Is *size* the crucial criterion of business? Then McGraw-Hill is a menace to free expression as one of the three hundred largest companies in the United States — and so, too, is Harcourt Brace Jovanovich as another Fortune Five Hundred Company.

One might say, that's easy for you — your ox wasn't gored. Well, I've known a few matadors and picadores in my time. A good response to them is, "You aren't offering half enough money to the shareholders!" This is not, I admit, a stirring reply — nothing like crying out that our civil liberties are at stake. And it would not send Congress rushing to the redoubts. But the question of price does have a certain pertinency to shareholders. As in risqué literature, a question in finance is, "Does the work have redeeming value?"

Editorial freedom is not constantly at issue. But it is an issue which thrills some people melodramatically — like jackboots in the night. I say this: let John Milton be read and read again, for the more talk there is, the more freedom results. In publishing, the more people who know what's happening, the more we learn of public means and private intentions.

No intellectually unabashed publisher wishes the owners of his business to ignore his editorial function! What bothers me about the McGraw-Hill affair is simply this: Amex bought Mr. Lipton's snake oil. Amex actually announced that should it acquire McGraw-Hill, it would isolate the editorial workings of that company. Of course, all the right-thinking libertarians cheered. Listen, it's dangerous, this notion of creating a cordon sanitaire to protect free expression in education and literature from organizations who conduct commerce. That notion doesn't say a hell of a lot for a free-market economy, does it? We keep telling the Russians and others that writers ought to be independent of their governments, don't we? Just who, then, will pay and publish writers?

Editors and scholars are not votives who guard the truth against the black knights of capitalism. Is editorial freedom in the United States so fragile that editors must put on safety suits and bubble helmets whenever they go to the executive floor? Are they so easily palsied, sickened, suborned? No, they are not. I'm an editor. I wouldn't work for owners who would not hear both the risks and opportunities inherent in free expression. Absentee owners can be absentminded!

Take a good look at the executive suite. You'll see that big publishers are not more dangerous than small ones, especially be-

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cause it's so damned hard to get a lot of people to work together and also shut up. Then there is the chief executive officer himself. You know about him. He becomes insecure of his own success as he ages; once he was satisfied to be feared, but now he wants to be appreciated. On the way back from lunch with a tycoon who said he wanted to write his memoirs, I told an HBJ editor, "It's no good. He just isn't awful enough." At lunch, the tycoon kept saying how much he loved Shakespeare.

Publishing is conducted *in public* and *for the public* — that's how the "pub" got into the word, of course. Commerce is hardly foreign to its nature. Think not that publishing is the modern-day equivalent of the medieval monastery. It is a business. It is so purely a business that book publishing was the first enterprise in modern history to display all the crucial characteristics of capitalism — central production, national distribution, routine wholesaling and retailing, price standardizing — and unmitigated speculation.

When RCA announced last year it wanted to sell Random House, almost all newspapers forgot to ask how profitable Random House is. It's not an obscene question, is it? The president of Random House said, "The backbone of our association has been RCA's sensitivity to the editorial independence which is essential to publishing. We look forward to a new relationship that ensures this freedom to publish." He might extend his study of anatomy a bit. Whatever is the backbone, the bloodstream is RCA's money. Did Bennett Cerf and Donald Klopfer sell to RCA in their never-ending search for freedom? They didn't say that at the time they sold.

Harcourt Brace Jovanovich has no relationship to any other company. Maybe we should sell ourselves to gain more freedom. Maybe we can buy integrity. I may put an ad in *The Wall Street Journal:* "Large Publisher Lacks Freedom. Will Sell to Larger Company with Surplus of Freedom." By the way, did you know that Random House *under RCA ownership* published proportionately more "dissident authors" than under its former private ownership?

You know about the *Saturday Evening Post*, naturally. It's been said the *Post* was done to death by business conspirators of the kind who wear Rotarian rings and white-on-white shirts. It wasn't like that. The *Post* died because not enough people wanted to read it any longer. At Curtis Publishing, one executive after another incurred more and more losses, feeding in more and more cash. They weren't hardheaded businessmen. They were softheaded sentimentalists — guys like me who carried the *Post* in canvas bags and sold it for a nickel during the thirties. They kept the *Post* alive because they thought they owed it to American Life and Letters. They were like an old man in the park arrested for vagrancy when actually he thought it would be nice for the kids, as it once was for him, to see old men sunning on the benches of the town square.

Publications die. Publications are born. There are today more serious magazines than the *Post* was — more magazines and more serious both. The death of one form, or one organization, of public communication does not diminish us all. If *The New Yorker* were to cease publishing tomorrow, I'd be sorry, but it would not be the first shadow of a long night descending on American civilization. There are more publishers of magazines and books today than there were a decade ago; and there are more books published today than ever before. American authors have never, as a group, earned more money than at present. No truly good book goes unpublished in America for long. Are the conglomerates a threat? Not to publishing, they aren't. Large companies have been spending too much in publishing, in fact. But it's their nickel. MCA, RCA, CBS, Xerox, IBM, and ABC have not made much money out of book publishing. Probably, had they to do it

over, they'd think harder and pay less.

Am I saying that publishers are disinterestedly fearless? Am I denying that books are sometimes suppressed? No. But let's not get confused over who are heroes and who are villains, for they are sometimes the same people. University science professors once hounded Macmillan into giving up Immanuel Velikovsky's *Worlds in Collision* by threatening not to buy Macmillan college textbooks. Harold Rugg's civics books were once driven from some schools by political conservatives in the thirties, and only afterward were liberals dismayed to discover that Rugg was an isolationist in foreign affairs—they thought he'd been a good guy all along. (The same thing happened to Senator Ervin. The liberals cheered him at Watergate and were surprised, later, to find he was a hawk on Vietnam.)

What's my advice? These hearings could adjourn without much loss, I think, and we can all go home to our loved ones. Let us not, please, worry over conspiracies among large companies against the American Way of Life. And let us not disclose to share-holders how much money is misspent out of businessmen's exaggerated respect for culture, out of vanity, and out of the prevailing dictum that we must let every damn fool be heard just in case he's really got the word.

Statement by Maxwell J. Lillienstein
General Counsel,
American Booksellers Association

I am general counsel to the American Booksellers Association, a trade association consisting of approximately fifty-five hundred members including independent bookstores, chains, and department stores, in all fifty states. The views I express here today have not been expressly authorized by the American Booksellers Association's board of directors, although I believe they represent the views of the vast majority of A.B.A. members.

The problem of book industry concentration is real and escalating. In 1958 the fifty largest trade publishers accounted for 65 percent of trade book sales as opposed to 75 percent in 1976.[1] The five largest trade publishing giants,[2] all of which are members of media conglomerates, accounted for one-third of all trade sales in 1978.

Even more startling is the trend toward concentration in bookselling. In 1972 there was only one chain with more than one hundred branches, and the four largest chains accounted for 11.6 percent of all trade book sales by general interest book stores. By the end of 1979, B. Dalton Booksellers and Walden Books, each owned by a large conglomerate, owned approximately one thousand stores between them. Their projected combined sales of $425 million accounted for almost one-third of the estimated $1.3 billion dollars of 1979 trade, mass market paperback, religious, and professional book sales by general interest bookstores. If their published long-term projections are correct, they will account for 50 percent of all general interest bookstore sales by 1983.

I have come here today to charge the media conglomerates of the book publishing industry with engaging in practices that are pushing

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Any threat to the existence of independent booksellers is a threat to diversity in the kinds of books people will buy and read.

most independent booksellers to the brink of financial disaster, a loss which cannot be measured solely in dollars and cents. Books are purveyors of ideas that shape the political, social, economic, and cultural fate of our society. Any threat to the existence of independent booksellers is a threat to diversity in the kinds of books people will buy and read. If we let it happen, the demise of the independent bookseller will inhibit the publication of children's books, literary fiction, poetry, and controversial books dealing with sociological, political, and economic subjects.

In 1958 one-store book firms accounted for 72 percent of books sold by general interest bookstores. By 1972 the figure had dropped to 58 percent. In all probability, most one- and two-store book firms now account for only 40 to 45 percent of all sales by general interest booksellers. What accounts for the bookseller-entrepreneur's waning share of the market? Inefficiency? Certainly, on occasion. But I suggest that the answer lies principally in what appear to be practices designed to streamline the marketing of books by publishing giants to bookselling giants. These streamlining techniques too often take the form of: discriminatory pricing practices; discriminatory advertising and promotional alliances and services; and publishing decisions that are based on the subsidiary-rights potential of a manuscript rather than on its intrinsic merit as a book.

Most independent booksellers are either marginally profitable or operating at a loss. The principal reason is that they are paying between 10 and 17 percent more for the books they purchase than are the giants in the bookselling business. It appears to me that the largest trade book publishers allow such enormous disparities in price not because of any cost savings resulting from volume discounts, but because they are preoccupied primarily with the subsidiary rights potential of their books. If a book is earmarked as a potential "blockbuster" and a six-figure national promotion effort, large publishers are willing to price such books at 17 percent less to the bookselling giants whose sales are expected to convert those books into "blockbusters," thereby increasing enormously the value of their mass market paperback, movie, TV miniseries and book club rights. Thus, it seems to make economic sense to a giant trade publisher to function on a marginally profitable or even on a loss basis, so long as the sales volume of the few books it has earmarked as "blockbusters" will reap a profitable harvest from the sale of subsidiary rights. Price discrimination in the mass market paperback publishing field is even more flagrant than in trade publishing, with price differentials between the cost to independent booksellers and bookselling giants of sometimes more than 20 percent.

An examination of the common thread running through the most powerful of the media conglomerates—CBS, Time, Inc., MCA, Gulf & Western, Doubleday and Times-Mirror Corp. —explains why such fears are justified. They all are engaged in trade publishing, mass market or book club publishing, and the audiovisual entertainment business. They all have financial resources and facilities to publish trade books, spend enormous sums to hype potential "blockbusters" for their paperback, movie, TV and book club potential, publish them as paperback reprints or book club selections, and produce or broadcast motion pictures or TV products based upon their books. There is one surefire flaw in this surefire profit formula. It must inevitably lead to the promotion of books appealing to the lowest common denominator.

By using the national mass market distributing organizations or book clubs that they own, the media conglomerates can influence precisely what Americans see and read. Accordingly, the conglomerate-owned national distributors of paperbacks treat books as if they

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were identical loaves of bread that must be removed from shelves before they turn stale.

Selling books is a unique business, involving the sale of ideas that can determine the fate of civilizations. Books are not commodities to be marketed like toothpaste or soap. However, today's publishing industry, with its conglomerates, is beginning to do just that. High advertising budgets for relatively few books, with a view to presold and prepackaged subsidiary rights, must lead to a drain of energy and resources from first novels, children's books, poetry, and books of a controversial nature.

Although independent booksellers welcome best-sellers, they have been a strange breed of proselytizers, recommending a broad variety of books to a diverse buying public. How tragic it would be if the independent bookseller, the publisher's most important selling tool for backlist books and books that never make it to the best-seller lists, were to become extinct.

If we wish to ensure the publication of the Joyces, Veblens, Whitmans, Melvilles, and Faulkners of the future we must keep alive that unique institution, the independent bookseller, who works long hours for little money because of a love of books that transcends the bottom line.

1. All of the factual statements contained in this presentation have been documented in my article "I Accuse."

2. "Trade" books are books found in general interest bookstores other than mass market paperbacks.

Statement by Irwin Karp
Counsel, The Authors Guild, Inc.

My name is Irwin Karp. I am counsel to the Authors Guild, the national society of book authors, comprising some fifty-six hundred members. The guild is grateful for this opportunity to testify before the subcommittee, since we are deeply concerned that mergers and acquisitions have given conglomerates and large publishing complexes increasing control in various lines of book publishing commerce.

In a series of memoranda to the Federal Trade Commission, Department of Justice, and the Judiciary Committees, commencing in June 1977, and in testimony to this subcommittee and the FTC, the Authors Guild has expressed its belief that these mergers and acquisitions:

- have created undue concentration in various lines of commerce, including mass market paperbacks, book club/mail order publishing, and trade book publishing;
- tend to lessen competition, and threaten the survival of remaining independently owned publishers, in each of these markets;
- have vertically integrated leading trade book publishers with mass market paperback and book club publishers and absorbed major publishers into media and other conglomerates;
- endanger the security of the First Amendment "marketplaces of ideas" in these lines of commerce and impair their ability to fulfill their social and cultural responsibilities;
- further reduce the bargaining power of most authors, and jeopardize opportunities to be published and earn income.

The Authors Guild has urged the FTC and Department of Justice to reverse this trend to concentration, to take other steps to diminish its effect, and to prevent conglomerates from acquiring independently owned publishing

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firms such as Houghton Mifflin and McGraw-Hill.

The Question of "Concentration"

In its March 1978 response to the Authors Guild's 1977 memoranda, the Association of American Publishers (AAP) argued that book publishing is not a "concentrated" industry within the meaning of Section 7 (Clayton Act), citing such industry-wide statistics as the increase in the total number of publishers from 1958 to 1976. But industry-wide statistics cannot resolve questions of undue concentration, or other Section 7 problems, in a relevant line of publishing commerce such as mass market paperbacks, or textbooks, or trade books, or book clubs.

The book publishing industry includes several relevant lines of commerce. Undue concentration in any one of these markets could violate Section 7, regardless of the degree of concentration in the other lines.

There is a high degree of concentration in several of the relevant publishing markets. The Authors Guild's statements have focused on three of them: trade book publishing, mass market paperback publishing, and book club/mail order publishing. *Trade Books* include biography, fiction, history, social commentary, and other books of general interest sold primarily through bookstores in hard cover editions or trade paperback editions. *Mass Market Paperback Books* are produced and distributed by different methods than trade books, in a different format; are sold at much lower prices; and are retailed through a vast number of nonbookstore outlets, as well as in bookstores. Mass market paperback firms reprint works previously issued by trade publishers and also publish new works. *Book Club Publishers* reprint works previously issued by trade publishers, for distribution in this separate market.

Trade book publishers and authors depend heavily on the income they derive if a mass market paperback firm or book club publisher issues their work in those two markets. Except for a comparatively few best-selling works, there is intense competition among publishers of trade books for the limited opportunities to be republished by a mass market paperback or book club firm.

Concentration, Vertical Integration, and Conglomeration in Mass Market Paperback Publishing

There is a heavy degree of concentration in this line of publishing commerce. The government's Section 7 complaint against CBS, seeking to divest it of Fawcett Publications (CBS's second paperback publishing subsidiary) alleges that the market share of the eight largest paperback publishers increased from 76 percent of sales (1973) to 81 percent (1976); and the share of the four largest firms increased from 51 to 53 percent. Eight national distributors, each owned by a mass market paperback publisher, accounted for 93 percent of sales through this predominant channel of distribution. A 1979 report by Knowledge Industry Publications ("Who Owns the Media?"), states that 84 percent of 1977 mass market paperback sales were made by the eight largest paperback publishers.

The government contends there are substantial barriers to entering this market, that there have been no significant new entrants in ten years, and that several small firms exited the market. There also has been another recent merger of paperback publishers: the acquisition of Jove by Berkley Acquisitions thus have reduced the number of separately owned firms that will buy paperback rights from independent trade publishers and their authors.

Vertical Integration

Several of the leading mass market paperback firms are vertically integrated with major trade publishers, by direct ownership or

through common ownership of the firms by a conglomerate: *Dell*-Doubleday: *Fawcett* and *Popular Library*-Holt Rinehart & Winston (CBS); *Ballantine*-Random/Knopf/Pantheon (RCA); *Pocket Books*-Simon & Schuster (Gulf & Western); *Avon*-Arbor House (Hearst); *Berkley* and *Jove*-G. P. Putnam and Coward, McCann & Geoghegan (MCA); and Viking-*Penguin*.

Thus, independently owned trade publishers and their authors seeking to license paperback rights to each of these mass market publishers must compete with the hardcover affiliate of that firm. An independent trade publisher also is at a disadvantage in seeking to acquire hardcover rights to potentially valuable books, since an integrated trade book firm and mass market firm can outdo it by making a joint bid for the "hardcover" and "softcover" rights. This competitive imbalance has been protested by such independent trade book publishers as Roger Straus (letter to Mr. Townsend Hoopes, AAP, dated April 6, 1978) and L. William Black (*Publishers Weekly*, October 9, 1978). It also has been recognized by the largest mass market paperback publisher, Bantam, which last year announced it was establishing a joint imprint with William Morrow (a major trade publisher) to acquire "simultaneously hardcover rights and paperback rights to works of fiction and nonfiction."

Conglomeration

Several of the leading mass market paperback publishers had been independently owned companies. Now, each of the ten largest firms is owned by a conglomerate, several of which also own broadcasting networks, motion picture companies, cable television systems, newspapers, and magazines.

As one prominent publishing official has noted, conglomerate owners of publishing firms "are interested only in the bottom line"—i.e., "overall profit and loss figures." The effect of the "bottom line" syndrome on paperback publishing is made clear in an article by Oscar Dystal, longtime president of Bantam Books (*Publishers Weekly*, November 14, 1977).

Concentration and Vertical Integration in Book Club/Mail Order Publishing

As we have noted, the book club market is an important source of income for trade book publishers and authors. But, as with mass market paperback licensing, publishers and authors must compete for the limited number of opportuntities for a book club republication, in a highly concentrated market. Of 1977 book club net sales, 89 percent were made by ten book club publishers. A 1978 study by Knowledge Industries Publications ("The Book Industry in Transition," p. 119) estimates that over 50 percent of 1976 book club sales were accounted for by Doubleday (Literary Guild and other clubs) and Book-of-the-Month Club (BOMC and subsidiary clubs).

Independent trade book publishers and their authors face another disadvantage because each of these major book club complexes is now vertically integrated with leading publishers in the trade book market. Doubleday, which owns the Literary Guild cluster of clubs, is itself a leading trade book publisher; and it acquired two other trade firms (Dial and Delacorte) and Dell (one of the five largest mass market paperback firms). The Book-of-the-Month Club cluster of clubs is now owned by Time, Inc., which is the leading mail order publisher and owns Little, Brown, another of the ten largest trade publishing firms.

Concentration and Conglomeration in Trade Book Publishing

Although there are hundreds of trade book publishers, a few large firms dominate this line of publishing commerce, which is still the primary marketplace for new "general interest" books whose authors seek to reach a national bookstore audience. A 1978 study by Robinson and Olszewski of the Department of Econom-

Until concentration and conglomeration beset trade publishing, professional authors could look to a number of medium and large-sized independently owned companies to publish their works in the national trade book market.

ics of Stanford University entitled "The Economics of Book Publishing" reports, based on Census of Manufactures statistics, that 1972 trade book shipments were shared as follows: by the eight largest publishers, 47 percent; by the twenty largest publishers, 74 percent; by the fifty largest publishers, 92 percent. It is estimated by Knowledge Industry Publications that the ten largest firms (five owned by conglomerates) accounted for 60 percent of trade book sales in 1977.

Even these figures do not fully reflect the degree of concentration in trade book publishing. Hundreds of small firms issue only a few titles each year and lack the capital to produce, advertise, promote, and distribute their books effectively in the national trade book market. They do not offer authors an opportunity to reach a national audience or to earn adequate compensation.

Until concentration and conglomeration beset trade publishing, professional authors could look to a number of medium and large-sized independently owned companies to publish their works in the national trade book market. These companies published a significant number of titles annually and sold them to bookstores across the country; they had sufficient resources for production, advertising, promotion, and distribution; many of their titles were reviewed in national media; and they licensed several titles each year for mass market paperback and book club publication. These companies provided authors with some chance of earning reasonable compensation and of having their works disseminated to a national bookstore audience. The actual extent of concentration in the national trade book publishing market is determined by the respective shares of those companies that really do conduct their business in that market.

In the past twenty years, many of the medium and large-sized publishing firms that accounted for much of the production and distribution in the trade book market have been acquired by conglomerates and large publishing complexes. It is the loss of these *major* firms, as independent enterprises, that concerns the Authors Guild. For this concentration has reduced the number of separately owned companies capable of publishing authors' works effectively in the national trade book market. Moreover, the acquisition of major publishers by media and other conglomerates has subjected their basic publishing policies to the "bottom line" interests of their new owners.

New entrants into trade book publishing have been small companies that do not compete effectively in the national trade book market. In the last two decades there has not been a single new trade publisher of the size or financial capability needed to replace Random House, Simon & Schuster, G.P. Putnam, or Grossett & Dunlap (among the top ten firms), which are now owned by conglomerates, or other large or medium-sized firms that have lost their independence in mergers. Some of the so-called "new companies" are only "imprints," operated by an editor but controlled by a large publishing complex that provides financing and distribution.

Concentration and The First Amendment

The degree of concentration in trade book publishing or in other lines of publishing commerce also must be evaluated in light of the First Amendment's essential purpose of preserving diversity and independence of ownership in the marketplaces of ideas. In *Associated Press* v. *U.S.*, the Supreme Court said

*The First Amendment, far from prov*ling an *argument against application of the Sherman Act here, provides* powerful reasons *to the contrary. That Amendment rests on the assumption that the widest possible dissemination of information from* diverse and antagonistic sources *is essential to the welfare*

The trend to concentration has reduced the already limited bargaining power of most authors.

of the public. . . . (Associated Press v. U.S., 326 U.S. 1, 20; emphasis added)

In its earlier statements, the guild discussed the dangers of concentration and conglomeration to First Amendment "marketplaces of ideas" — the various lines of book publishing commerce. Several major firms have been eliminated as independent enterprises, thus reducing the number of separately owned "diverse" and "antagonistic" sources that might be willing to publish potentially dangerous or controversial works for national audiences. Freedom of expression for conglomerate-owned publishers may be threatened by the other interests of their owners or pressures that can be brought against the conglomerate. Moreover, ownership of many publishing firms has been concentrated in the hands of a few conglomerates or large publishing complexes which also own other communications companies. Consequently, these conglomerates hold decision-making power over a cluster of "sources" in different media: trade book publishers, paperback publishers, book club publishers, newspapers and chains, broadcasting stations and networks, motion picture companies, cable television systems, and so on. The very concentration of such enormous power, whether or not it is currently exercised, is contrary to the purpose of the First Amendment and Section 7.

Effects of Concentration and Conglomeration on Authors

Bargaining Power. The trend to concentration has reduced the already limited bargaining power of most authors. This greater imbalance of power is being reflected in the standard contract forms prepared by most publishers and in their refusal of modify or eliminate unfavorable provisions that have placed authors at greater disadvantage.

Diminishing Opportunities to Be Published. In earlier statements to this subcommittee, we discussed the impact of concentration and conglomeration on the opportunities of authors to be published. Obviously, a reduction in the number of independent trade book publishers will tend to reduce the opportunities of professional authors and others to obtain publication of their books in the national trade book market. Where two trade publishers are merged into one, the likelihood is that the combined list ultimately will contain fewer than the total number of titles previously published by the two independent firms.

The "bottom line" interest of conglomerates in the profit performance of their publishing subsidiaries inevitably increases the latters' emphasis on the "big book" and, ultimately, the concurrent reduction of publishing opportunities for books of quality that promise only medium economic success, for the works of new authors, or for worthwhile books on the company's backlist. It also is reflected by an increasing number of instances in which manuscripts written, under contract, by well-established professional authors are rejected as "unsatisfactory," not for any lack of literary merit but because of financial considerations that may well be caused by the concern for an improved "bottom line" performance.

Mr. Dystal's article clearly illustrates the effect of this basic stimulus in mass market paperback publishing, where a handful of major, conglomerate-owned firms compete for market shares with "the blockbusters, the big book, the proven sellers." He notes the enormous emphasis publishers give to those books whose paperback life begins with the record price paid for the paperback rights, which makes headlines and starts to create demand"; the title "which the publisher believes he can hype into a big seller"; and the "media tie-in — the book and the TV series — or the book and the movie tie-ins."

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Mr. Dystal said:

This lack of publishing variety and innovation, this lack of broad title inventory availability, this concentration on the big book and fads does something else too that is perhaps even more detrimental to our growth. It does not allow us to live up to our cultural and social responsibilities as fully as we should to provide the widest possible choice of books—books that are the legacy of our cultural heritage, and books that explore the fringes of the present and the frontiers of new thinking.

We believe that the "big book — the best-seller syndrome" that Mr. Dystal described also affects trade book publishing and will increasingly do so, thus reducing the opportunities of authors to be published by major trade publishers who can distribute their books effectively to a national audience.

Statement by E.L. Doctorow
Writer and Vice President,
American Center of PEN International

My name is E.L. Doctorow.

I'm a writer. I've published four novels: *Welcome to Hard Times, Big As Life, The Book of Daniel, Ragtime;* a play, *Drinks Before Dinner;* and my fifth novel, *Loon Lake,* will be published this autumn. I'm also a vice president of the American Center of PEN, the international association of poets, playwrights, essayists, editors, and novelists, and I'm appearing before you in both capacities, as a writer and as a spokesman for the seventeen hundred American writers of PEN.

I want to say first of all, and with apologies for beginning on a personal note, that my own career has flourished in association with a conglomerate-owned publisher. I say this in the interest of truth and also by way of emphasizing that the concern of the writers of PEN in this issue is not essentially a matter of financial self-interest. Of course, the mean annual writing income of the PEN membership is $4700, $2000 below the poverty line as it is now drawn. And members of PEN are in fact elected to the association on the basis of having published at least two books characterized as "distinguished." So the large sums of capital brought into publishing by conglomeration seem not to have appreciably affected the incomes of the majority of writers—indeed there may be counterindications that the psychology of bottom-line corporate thinking has tended to reward fewer and fewer authors at the expense of the many. The vision of the big book, the market killing, disposes investment, and energies of promoting and marketing, toward fewer and fewer books, those accounted as commercial or those by established name authors. But as I say this is not the core of the writer's concern. PEN, like the Authors Guild, is worried about things at a deeper level than

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Until recent times, book publishing has been the last uncontrolled marketplace of ideas.

the pocket.

Let me say by way of further definition of our position that not only am I well published by my conglomerate-owned publisher, but I have every reason to believe from an examination of its catalog and those of its affiliate houses under the same corporate roof, and from my acquaintance with the chief editors of all these houses, that attention is paid to serious works in all fields of thought — fiction, the social sciences, politics, and even to a small extent, poetry. This is true of other conglomerate houses as well. Attempts are made to maintain backlists of serious authors of the past. The editors I know and respect do care about the quality of what they publish, about ideas, about the discovery of new talent, and good books are published in every season.

So PEN does not claim publishers are insensitive and crass by virtue of their conglomerate affiliations or that they are villains, or that they have totally sold out to commerce or any of these things. Our position is more basic: that apart from the good motives or the honor or the seriousness of purpose of any particular publisher or editor, the concentration into fewer and fewer hands of the production and distribution of literary work is *by its nature* constricting to free speech and the effective exchange of ideas and the diversity of opinion.

Perhaps this claim is best understood if we look at the means of dissemination of verbal culture in this country. We have the industry of print journalism, whose pattern of concentration in the hands of fewer and fewer organizations is indisputable. We have the film industry, a relatively closed business by virtue of the immense capitalization needed for the production and distribution of films. We have the medium of television, still largely in the hands of corporate networks. The most cursory look at these media suggests the problem: the bigger the audience, or the greater the dollar risk, the narrower the allowable range of expression.

Until recent times, book publishing has been the last uncontrolled marketplace of ideas — uncontrolled by big money, uncontrolled by government regulation. It has been the place where all scholarship and discursive extended thought, uneconomical expression of every kind — poetic, scientific, visionary, analytical — has prevailed by virtue of publishing's having been a cottage industry — that is, one spread among many hands, the decision-making process dispersed into thousands of independent and unconnected hands.

That may no longer be true. The structure of book publishing has changed. You have from the Authors Guild the long list of independent publishers merged or taken in conglomeration in the past twenty years. Regardless of the good intentions of the people working in publishing today, regardless of the enlightenment at the top levels of editorial management, the narrowing of divergent decision-making power into fewer corporate organizations, either American or foreign owned, both at the publishing and retailing ends of the business (for large retail book chains are part of this situation) provides the structure for a time when enlightenment no longer prevails, when the people who we have now have died or retired, and their standards of excellence infused by the capacity to be thrilled by writing have died or retired with them. And the people who take their place, a career generation or two from now, no longer come into publishing or bookselling because they love books but because it is corporate life. And who may not have learned or have forgotten what it means to publish something good solely because it is good. Or who believe without questioning in the formulation, that which is good is that which sells.

A certain erosion may be presumed to have already taken place. There are signs. One is the move within the industry to replace literary awards that have existed to recognize excellence of writing in all fields of fiction and

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So what we have in effect... is a tendency of the publishing industry to be absorbed by the entertainment industry, with all its values of pandering to the lowest common denominator of public taste.

nonfiction with a promotional-minded award modeled on the film industry's Academy Awards. This is erosion. It is erosion too when the judges of the PEN Hemingway first-novel award find — as they did last year — a decline in the number of first novels of merit available for consideration We have testimony too by editors who for obvious reasons must remain anonymous, but we have the word and integrity of their reporters — members of PEN — to attest their veracity. I will submit these statements to you but quote only one: "Instead of searching for good books, I read manuscripts now in dread that I'll find someone fine and young and exciting who needs nurturing. I don't know what hurts more — having to gun them down or going through the terrible charade of publishing them when they don't stand a chance of distribution in today's market." There is erosion too when a huge publishing house — Doubleday — which has defended with its author a libel suit against a work of fiction all the way up to the Supreme Court, having lost the suit, turns around and sues this same author for recovery of its costs and punitive and compensatory damages. Regardless of the particulars of the case — and they are complex — the erosion is surely in the publishing company's insensitivity to the ideals of the First Amendment. Again, there is such eroding sensitivity to the claims of the First Amendment — the very foundation of all printed throught — when a large publishing combine, Harper & Row, sues a small independent political journal, *The Nation,* for printing excerpts under the fair-use doctrine of a not-yet-published work by a former president of the United States. Erosion of sensitivity to the First Amendment in the very heart of the community that lives by it and must be depended upon to maintain it.

Nobody is objecting to commerce or to making money. Publishers have always wanted to make money. Traditionally a publishing list has always reflected the tension between the need to make money and the desire to publish well; the best publishers of the past always knew how to float their good books on the proceeds of their commercial books, pay for one with the other, make money and be proud of their contribution to literature and ideas at the same time. And nothing brought more pleasure, greater euphoria than making money from a good book. The point is that this delicate balance of pressures within a publishing firm is upset by the conglomerate values — the need for greater and greater profits and the expection of them overloads the scale in favor of commerce — depending on the particular house and its editorial resources, faster or more slowly: the crossword-puzzle books and cookbooks and sexual-position books and how-to books and movie-tie-in books and television-celebrity books gradually occupy more of the publisher's time and investment.

So that what we have in effect, and this is borne out by an examination of the specific conglomerations that have taken place in publishing in the last ten years or so, is a tendency of the publishing industry to be absorbed by the entertainment industry, with all its values of pandering to the lowest common denominator of public taste coming to bear. If this is not checked we foresee the equivalent in publishing of network broadcasting — that when the publishing and distributing of books is finally in the hands of five or seven giant corporations, we will have a condition equivalent to that of the broadcast industry — network publishing and network bookselling. In this situation, where is the place for the nurturing relationship of editor and author that after several years or several books results in a work of monumental importance to the American consciousness? Where is the incentive in network publishing for books of taste or social challenge or political boldness or high intellect? Now one argument against the need for the intervention of Washington into this problem is that the conglomerates in publishing will

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fade away on their own when the realization dawns that publishing is such a low profit business and the publishing houses have as their assets not rolling stock or real estate or big presses or warehouses but people's minds — that p::blishing entities are built on the shaky foundation of the minds of authors and editors. Once the terror of that realization dawns, it is said big money will fold its tent and steal away. But apart from the historical evidence that there seems no trend like this in sight, despite the concentration that has gone on the last twenty years, retreat is undeniably one response to unprofitable investment. The other response is to take that unprofitable investment and tinker with it till it is profitable. That is the other scenario. That discovering the idealistic and mental impediments to an efficient profit-making machine, the conglomerate management will eliminate them — change taste, simplify what is complex, find the personnel who will give them what they want, and gradually change the nature of books themselves, and create something else, almost-books, nonbooks, book pods, just as foods today are packaged for quick sale and mass distribution with artificial flavors that make pies and cakes, we are told, just like the ones mother used to make.

Books have constituted the core of our verbal thought and culture. They have been the medium by which our country has maintained its historical argument with itself, in all its voices, in all the aspects of its soul. Because of that they have stood traditionally as the source of ideas and thought drawn upon and used and disseminated by the other media. A professor's painfully worked-out ideas, his scholarship, over the years of study, is reported in newspapers, excerpted in magazines; a novelist's work forged from the privacy of his imagination is reviewed in the papers and journals and possibly adapted for film. Traditionally all the other media have stood toward our books as extenders, popularizers, commentators—but the impluse from the book precedes all.

That core of free uneconomic expression is the source of our cultural wealth. Because of its central, prior, primal place, it must be left as uncontrolled, inefficient, wasteful, diverse, unstructured as possible, so that our genius in the multiple witness and conscience we make as a people can rise to our national benefit without constriction or censorship.

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A great publisher is a man who has learned by long and difficult labor what part the art of letters can and must play in a world like the world he lives in.

Testimony submitted for the record by Archibald MacLeish
Author and Poet

Two years ago the Boston Globe published a story about Houghton Mifflin, a company who has been my publisher for fifty years as well as the publisher of far better writers than I shall ever be—Henry Thoreau for one. According to the Globe, Houghton Mifflin was about to be bought against its will by a California railroad — not because the railroad wanted to go into the publishing business, but because it wanted to own a famous publishing house. And why did it want to own a famous publishing house? In order to diversify its investments and increase its profits.

I was furious. I live off in the Hoosack hills of northwestern Massachusetts in a Yankee-Polish county where nobody tells you anything, but I had never heard of corporate carnivores who fed on each other for profit. Indeed, I had never heard the word conglomerate. So I called my fellow Houghton Mifflin writer, John Kenneth Galbraith, who lives in mid Vermont, and John Kenneth Galbraith explained — which he does very well and quite often. The result was that we and a number of our colleagues informed, first Houghton Mifflin, and then the railroad, and finally the world that we did not wish to be published by a railroad and certainly not by a California railroad—that we much preferred to be published by a publisher. And so in the end it was arranged.

The railroad went back where it came from complaining that Yankee writers were rude. Houghton Mifflin went on as it had been going for generations, performing its duties as a publisher with grace, wit and the competence which only experience can give. But as for me, I continued to rage.

It was obvious that the California railroad had no interest in publishing and no qualifications for the practice of the art—for an art it is. It was clear too — the railroad was frank enough about that — that its motivation was purely financial. It wanted to make more money than it was earning at the time by investing in a number of different enterprises and different kinds of businesses. Which was reasonable enough until you stop to think about the particular business it had proposed to take over in Boston. Was a publishing house — particularly a great publishing house — merely a business like any other? Was it not much more like a profession? And whether business or profession, was it not, in the lawyer's phrase, a business or profession affected by a public interest.

What did it produce? Books. And what are books? Are they not the essential tools of a society? — particularly of a self-governing society — more particularly still of a self-governing society in a rapidly changing age when the world has contracted to such a point that a citizen of the United States cannot play an intelligent part in the government of himself and of his own country unless he knows countries as far away as Iran and people as different from himself as the Arabs.

A great publisher is a man who has learned by long and difficult labor what part the art of letters can and must play in a world like the world he lives in. A publisher produces instruments which enhance knowledge, which increase understanding, which make self-government possible — instruments indeed without which self-government is inconceivable. Can *he* — of all men — be treated as nothing more than a good investment? Can any corporation or financial manipulator who has a mind to buy his business be permitted to take *him* over, to use *him* for purposes of financial advantage?

Members of this subcommittee are experienced legislators, they are advisers on legislation to the Senate of the United States. They know the Houghton Mifflin story, they know

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how many famous publishing houses in New York City have been taken over by corporations with no qualification whatever for a publisher's work. They have — must have — opinions on the probable consequences for the republic. I would like to remind them that there are a great many Americans, including a great many American writers, who are waiting eagerly to learn what those opinions are.

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In The April 25, 1980, Seminar:
The Co-Responsibilities
of American Publishers and Booksellers

A Summary of the Meeting

"The Co-responsibilities of American Publishers and Booksellers" was the theme of an April 25 invitational seminar sponsored by the Center for the Book in the Library of Congress. The seminar was the second in a series of Center for the Book meetings intended to encourage discussion among various segments of the book community about the responsibilities, perceived and real, of each segment of the community.

The words of Martin Mayer, a participant in the first seminar, were recalled at the beginning of this meeting. Mr. Mayer had pointed to existing deficiencies in the book distribution system and had told American publishers and booksellers that they had a "joint responsibility to get the distribution system working better." John Y. Cole, who chaired the seminar, explained that the Center for the Book had commissioned four papers that reflected different perspectives on relations between American publishers and booksellers and the problems they face, including book distribution. The papers would serve as a starting point for the discussion.

"Publishers and Booksellers: The Perennial Odd Couple" by historian John Tebbel provided seminar participants with a useful perspective. In his historical review he identified distribution as "the primary bottleneck in the industry for two hundred years" and the "the basis of all that has troubled the relationship between publishers and booksellers." He called on the book industry to spend more money on research ("a massive examination of the industry" is needed) and pointed out that many (if not most) publishers "have very little idea of what really goes on in bookstores." In his view, "tremendous growth has so far saved the industry from itself," but the "steady decline in literacy, making the growth in population increasingly out of proportion to the number of book readers" means trouble ahead. The publishing and bookselling industries must work together to end the "centuries-old conflict between publishers and booksellers ... through their organizations, they already have a working relationship that is more satisfactory than it ever has been in the past, but it [still] falls far short of what needs to be done."

Carl A. Kroch, president, Kroch's & Brentano's, Inc., presented one bookseller's view of the "responsibilities of parties involved in the book distribution process to each other." He began by describing the many changes he had seen in the forty-five years he had devoted to bookselling and the concept of "the full service bookstore" as defined by Kroch's & Brentano's. Desirable traits in a bookseller were outlined, including business competence, a wide selection of merchandise that includes backlists, and "the refusal to condone censorship." Mr. Kroch presented several examples of the benefits of good publisher-bookseller relationships and four suggestions that he felt were "worthy of consideration and study"; he hoped these suggestions, all controversial, would "cause some publishers to reconsider their present relationship with their bookseller-customers." His suggestions were (1) that books be sold on an outright, not a returnable basis; (2) that books be supplied to the retailer transportation paid; (3) that the practice of giving a discount on the total purchase of a chain with shipment to each individual store be eliminated; and (4) that all members of the community, including authors, "should make an agreed upon percentage of their gross receipts available for a national advertising campaign that would encourage Americans to read."

Publisher George P. Brockway, chairman, W.W. Norton & Co., Inc., prepared a paper on

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"The Responsibilities of Publishers to Booksellers." Before getting to specific suggestions, he described the heterogeneous nature of the publishing industry and its own basic responsibilities of staying in business and of keeping its outlets in business. He also discussed the "mid-range book" (sales between seven thousand and seventy thousand) and its troubles, and the role of book chains in the distribution process: "There is nothing perverse in [a] chain's refusal to buy a thousand copies of a book their experience tells them they cannot sell." But it is perverse "for a publisher to insist on publishing books his outlets cannot sell." Mr. Brockway noted that different kinds of trade publishing houses made different demands on the book distribution system, which in turn pointed to where publishers had specific responsibilities to bookstores. Since books sell because of exposure and because bookstores are where books are exposed, publishers can and should be "influential and helpful to all [bookstores] of all sizes in a number of ways." He specified three. Publishers can have intelligent and well-trained sales representatives call on bookstores. Publishers can make it convenient and profitable for booksellers to handle special orders ("it is a shame that it is not easy to get any book promptly in America"). And publishers "are going to have to look more carefully than we usually do at the way we do business."

In his paper, "Inflation: A Dilemma for All Book Industry Participants," economist E. Wayne Nordberg, partner with Prescott, Ball & Turben, indentified "price inflation and its primary source, confiscatory government policy," as the common enemy of both publishers and booksellers and buttressed his argument with a brief historical analysis of inflation. He maintained that most of the industry issues now being debated, often acrimoniously, between publishers and booksellers — issues such as skyrocketing distribution costs, discriminatory discount practices, the growing dominance of chains and the escalation in book costs — "are caused by pressures that have little to do with industry practices and supplier relationships." The entire system is plagued by inflation "and the very definition of inflation is shortage . . . of equity, profits and cash flow, working capital, profit margins, and product in terms of type and timely availability." These overall environmental conditions have put specific problems such as high book costs outside the industry's control; the most effective action the industry can take is to work together to minimize the cost of doing business and to expand the market for books. Mr. Nordberg concluded with two relatively optimistic observations. From 1976 to 1978, a period of economic recovery, expenditures for books exceeded the growth in consumer income by a considerable margin; in real, inflation-adjusted terms, unit book sales grew faster than the real growth in the U.S. economy. Second, "in the all-important trade book sector, retailers have not only experienced satisfactory unit volume since the 1974 recession, they have increased their market share."

Most of the day was devoted to a discussion during which the authors of the papers answered questions and seminar participants added their observations. Charles S. Haslam, president of the Haslam's Books Store in St. Petersburg, Florida, strongly endorsed the full-service bookstore, as defined by Carl Kroch, as "the only solution to the distribution problem" and urged publishers and booksellers to plan together to nurture and encourage the existence of such stores. Getting the book "from author to reader" is the major problem confronting the retail bookseller, and publishers must help. In Mr. Haslam's opinion, "there has been an erosion of benefits provided to the three thousand one-location bookstores," yet these are the stores that could constitute "a great nationwide network" that could "deliver a publisher's backlist to a waiting, reading population who seem to be

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delighted when they find themselves in a well-stocked bookstore." The special problems of small booksellers were cogently addressed by Gail See of Book Case, Inc., of Wayzata, Minnesota.

The major topics addressed in the discussion were: book promotion and how it might be improved including specific efforts such as "Give-A-Book Certificates" and the "A Book is a Loving Gift" project; book coupons; the Center for the Book's "Read More About It" project and other book and reading promotion efforts being considered by the center; the "fear" of bookstores and ways it can be overcome (for example, including a bookstore as part of a school field trip); the use of television and radio, including public service advertising, to promote reading; the training of bookstore clerks and how it might be improved; book remainders; the pros and cons of selling books (or certain categories of books) on a non-returnable basis; problems related to shipping costs and postal rates; different ways of handling special orders; the role of publishers' representatives; and ways of encouraging bookstore-library-publisher cooperation at the local level.

The four papers commissioned for this seminar follow.

Publishers and Booksellers: The Perennial Odd Couple

John Tebbel

Is it possible for publishers and booksellers to lie down together, metaphorically speaking?

That is a question which has tormented both sides for nearly two centuries. One uses "tormented" in the sense that both share a gigantic itch which no one has been properly able to scratch. This uneasy, love-hate relationship has existed since Mathew Carey first proposed in 1802 that booksellers ought to organize, and even before that, if one counts the adventures of the first book traveler, Parson Weems, on his journeys though the South for Carey's firm. From the marvelous treasure, the correspondence between Weems and Carey, the shape of the relationship is originally revealed. Weems asserted the natural superiority of salesmen. "I am he who leads this squadron to the charge," he wrote, "and therefore can best tell whether it [meaning the current consignment] be indeed prepared to meet every assailant." And what were the assailants, the booksellers, complaining about? As Weems faithfully reported, they (and Weems himself) thought Carey's prices were too high. They also believed that Carey didn't always make the right books for their particular audience. Weems himself complained about the size of his commissions, and the debate over discounts was just around the corner.

Distribution: It is a word engraved on the hearts of everyone in the book business from Weems's day to ours. It may be a cliché to say so, but it is undeniable fact that distribution has been the primary bottleneck in the industry for two hundred years, the one that has

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most successfully resisted every attempt at solution, and it is the basis of all that has troubled the relationship between publishers and booksellers.

It seems so obvious and so simple to get the books the publishers turn out into the stores where people can see and buy them. But a thousand obstacles stand in the way, and as the numbers of books have increased, the problems have multiplied. At the beginning, it was a question of waiting until the snow and ice had melted so books could be transported from the Eastern cities where they were made over mountains and down rivers into the retail outlets of the interior. Since that could be done only in the spring and fall, two major selling seasons were created, and because the fall season ended in the great gift-giving holiday, most of the year's activity was packed into its final three months, much to everyone's disadvantage. That was just as true a hundred and fifty years ago as it is today, and nothing has ever been done about it—nothing, that is, that worked. (Authors note ruefully that the two-season year has also meant, from that day to this, twice-a-year payment of royalties, the money between payments earning interest for the publisher.)

So, as the French are credited with saying, the more things change the more they remain the same, and that is more true of publishing than of any other business. It is also true that publishers and booksellers are unwavering optimists who have been trying for two hundred years to do something about it. How contemporary these attempts seem when we look back on them, especially the efforts of booksellers to organize in their own behalf.

The first organizational meeting of booksellers, for example, was held on June 4, 1802, at Bardin's Hotel in New York, a meeting proposed the year before by Carey. It was partly a trade fair on the German model, which booksellers considered a prime way to move books, especially those they hadn't been able to sell. When they were not manning their booths, the booksellers met and passed resolutions, in the immemorial manner, paying as little attention to them afterward as possible. It must be remembered that many of the booksellers who met in 1802 were also publishers. There were still no retail bookstores in the modern sense, and the separation of printing, publishing and bookselling did not begin to take place on any significant scale until 1825. Even today there are booksellers who publish and some who print.

In any case, these first resolutions are worth noticing. The fifty delegates agreed to try to improve the quality of their books. That took another fifty years. As publishers, they agreed to avoid interfering with each other by not reprinting books already printed in the United States. That was idle talk. They agreed to stop importing books if "good and correct" editions were already available in America. This resolution was taken on the eve of an era in which the wholesale pirating of English and French books threw the trade into turmoil. Then they elected a seventy-five-year-old bookseller and publisher, Hugh Gaine, as president, in much belated recognition of his service to the business, overlooking the fact that he had twice switched sides during the course of the Revolution.

Most significantly, however, booksellers in New York formed the American Company of Booksellers and urged their fellow booksellers in other cities to go and do likewise. But the company was a splendid idea whose time had not yet come. It lasted only four years, although it did do a few things to elevate the profession, specifically encouraging the graphic arts by offering gold medals for the best book printing on American paper with American ink and others for binding and ink-making. Ironically, the company was done in by the appearance at its annual book fair meetings of publishers from small communities. They exhibited inferior, lower priced products,

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Already the devil had appeared that would divide booksellers and publishers for long, bitter decades. The devil's name was net price.

which put unwelcome pressure on the city members.

What survived, however, were the local organizations whose formation the company had enthusiastically encouraged. Notable among them was the New York Association of Booksellers. Its interest in mutual cooperation was primarily protectionist. Its members wanted to put a curb on imported books, especially textbooks, and to substitute American editions for them. Since it was impossible for this idea to succeed, the association lost its reason for existence and by 1812 had disappeared. Local associations were more successful elsewhere, however, proliferating into state and even county associations and bringing some stability to the trade on a local and regional level. They were inadequate, however, to meet the growing national problems of book distribution.

Already the devil had appeared that would divide booksellers and publishers for long, bitter decades. The devil's name was net price. It might seem elemental that booksellers ought to get the same price for a book that its publisher announced, but this notion ignored the competitive instinct to make a dollar. That instinct came fully alive in the 1840s, when the invention of the rotary press had made a mass market possible. The first paperback revolution, beginning in 1842, had consisted of full-length reprintings of pirated British novels selling as "supplements" to newspapers and printed in newspaper format. They sold for fifty cents at first, until competition between the two chief entrepreneurs *Brother Jonathan* and the *New World*, drove the price down to six and a half cents. In any case, these were books that publishers and booksellers were offering for seventy-five cents, a dollar, or even a dollar and a half in some cases. All this had a profoundly disturbing effect on the entire price structure of publishing.

Thus began the long struggle between small retailers and publishers over the net price issue, aggravated by the big discounters who sprang up after the Civil War, including the book departments that became a part of large drygoods stores.

Until that war began, book selling had enjoyed the greatest boom the trade had ever seen, with cheap books selling both in cloth and softbound, usually priced for less than a dollar. Volume made up for the low prices. Simultaneous publishing in cloth and paper was common, piracy flourished, competitive price-cutting was temporarily abandoned, and prices were generally stabilized. The fifty-cent book in cloth and the twenty-five-cent paperback were standard. If publication was simultaneous, the prices were more likely to be seventy-five and fifty cents.

At mid-century, a new method of distribution appeared — subscription selling. By 1860, most publishing houses were being compelled to sell by this method, as well as through retail stores, to meet the competition. What the traveling subscription-seller carried was also in the stock of those stores, and the prices were the same. By the 1870s and 1880s, publishers believed that it was possible to sell almost any kind of book by subscription in substantial quantities, and they were correct.

By the time the Brotherhood of Commerical Travelers was organized in 1885, the link between publishers and the retail trade had begun to take shape in something of the form we know today. It was still elementary, but it consisted of the salesman. Even the largest houses seldom had any more than four travelers, and they covered immense territories. One Harper salesman had New England, part of the Middle West, and the entire Pacific Coast. Another had the South, the remainder of the Middle West, and several cities in Pennsylvania and New York State.

These travelers had 3,501 stores to call on by 1914 — that is, one outlet for every twenty-eight thousand people. Rural areas were scarcely covered at all, and most books before

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the First World War were not bought in bookstores; 90 percent were sold by other means, mostly by door-to-door book agents. By 1905, there was also a great deal of direct mail selling by the publishers, using rented lists and their own. Naturally, this practice was widely deplored and attacked by the booksellers.

To see the divisions that had grown up, consider Harper's direct expenses for September 1910, of which $12,000 was spent for the regular wholesale trade with bookstores, $15,000 for subscription books, and $9,000 for direct mail. This was a much more equal distribution than prevailed in most houses, but in any case the new pattern did nothing to improve the continuous state of antagonism between publishers and retail booksellers which had existed since the pre-Civil War era.

As the century drew toward its end, this antagonism reached a peak. *Publishers Weekly*, always the defender of the retail trade, clearly identified in 1872 the essential problem of the booksellers — a lack of unity and a failure to realize that every member of the trade had essentially the same interests. The retailers, indeed, were just as fiercely individualistic as the publishers, and there was no unanimity of opinion on either side about what was to be done with the distribution problem. And nothing approaching unanimity exists today.

Again, how contemporary this 1872 complaint in a *PW* editorial sounds: "The retail trade cannot live against the competition of manufacturers, and either the competition or the retailers must cease to be. The latter is almost the case now; nine out of ten 'book stores' are already mere fancy-goods shops, where books form the least part of the stock. . . ."

Underselling was the problem then. If retailers were agreed on anything, it was the belief that the remedy was to lower prices so that no more than a 20 percent discount could be allowed by the publisher. They railed against publishers or jobbers who sold books at retail or discount prices, especially when the publishers advertised that they would send a book postage free on receipt of the retail price. Consequently, buyers could get books cheaper from publishers than from retailers, who had to pay express. No wonder most bookstores kept no more than two or three hundred dollars worth of stock at a time, and put their capital into sidelines, competing with each other, underselling to get rid of books. Drygoods stores offered the same books at nearly cost price as loss leaders.

From the publishers' standpoint, it was the retailers who were at fault. One leading publisher told *PW* in 1872: "I'm about discouraged with the retailers. The booksellers won't order books unless you make them order. They will buy only what they must buy, after you've made them feel a demand from the public. So I believe in getting at the public rather than the trade." He spoke for most of his peers.

The price-cutting controversy was not confined to trade books. It was also the practice to sell directly to teachers through booksellers. Teachers found that they could get the same 10 percent off from the publisher that the booksellers got. When booksellers protested, publishers explained that they gave no discount outside the trade on educational books — except to teachers and clergymen, a large percentage of whom could be expected to buy their books at a bookstore. When booksellers came to a general agreement that they would not sell to any customer at more than a 20 percent discount, every buyer promptly claimed the discount, while the "book butchers," as the discounters were called by the trade, went on selling at any price they pleased and apparently had no trouble getting stock and credit, notwithstanding the pledge most reputable publishers had taken to have no dealings with them.

By 1890, in a country inhabited by sixty mil-

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Booksellers were not really in the drygoods business, but the drygoods merchants were definitely in the book business.

lion people, most of whom could read and were more than ever before able to buy books, bookselling at the community level was drying up. In Salem, Massachusetts, which had once boasted several retail stores, some of which became publishing houses, every bookseller had vanished by 1889. The only outlet remaining for books was a chain drygoods store. One of the former bookstores still carried a few books, but the remainder of its stock was largely devoted to wallpaper.

Attempts to do something about the situation had already begun in 1872 with the formation of the American Book Trade Association, the immediate predecessor of the American Booksellers Association. Its first president was a publisher, A. D. F. Randolph. Two years later, the Western Booksellers' Association was organized, and there were soon new regional and local booksellers' organizations in Baltimore, Philadelphia, Rochester, Buffalo, Columbus, Troy, Milwaukee, Nashville, New Orleans, Providence, and Washington, D.C. The object of all these bodies was to agree on trade discounts, specifically a 20 percent maximum.

The buying public greeted these developments with suspicion. People thought the associations were a "trust," designed to keep prices high. There were angry editorials in the newspapers and unwittingly incongruous references to the "booksellers' ring." The reform forces were consequently thrown on the defensive, while the discounters continued their bloody work. A Boston "butcher," for example, advertised that he had bought more than a million new books, many regularly priced at from two to three dollars, and having got them cheaply for cash during the bad times, he would sell them for a dollar each and give every buyer an "elegant present" besides. The premiums included $30,000 in greenbacks, $25,000 in watches, $45,000 in books, and $150,000 in other articles. As a result of this offer, several important booksellers and publishers in Boston were driven to bankruptcy, including Lee & Shepard. It did them no good when the "butcher" went bankrupt too.

The 20-percent rule was agreed to by most booksellers, but the agreement was soon breached. Libraries in general were opposed to it; the larger ones got nearly any discount they wanted, while smaller ones had to take the 20 percent. The American Library Association pronounced the rule officially dead in September 1877, and by that time the American Book Trade Association was dead, too, along with the 20 percent idea. The Board of Trade, the association's counterpart among the publishers, had died the year before. Underselling went on without hindrance.

A decade of chaos and hard times ensued—pehaps the lowest point in the history of the publisher-bookseller relationship. Many retailers experienced acute hardship. Publishers continued their individualistic practices with little regard for the business as a whole. Ruinous trade practices continued unabated. To compete with growing department store business, retailers might have to deduct as much as 20 percent more on books they had bought from publishers at 40 percent off, and even then the stores might undercut them by offering books as loss leaders. The retailer's overhead expenses averaged 15 percent of the list price of the books he bought; the figure was only 7 percent for department stores, which could sell a dollar book bought wholesale at 40 percent discount for sixty-seven cents and still come out ahead, while at that price the retailer would lose eight cents on every copy sold.

Burrows Bros., the big Cleveland bookstore, tried to fight the department stores by advertising drygoods at cut-rates prices, but it was only a gesture. Booksellers were not really in the drygoods business, but the drygoods merchants were definitely in the book business.

These chaotic conditions led inevitably to further attempts at organizing for reforms.

Mutual benefit societies, such as the Booksellers' and Stationers' Providence Association, were formed for insurance purposes. Others were like the New York Booksellers' League, organized in 1894, which accomplished little more than drawing the wagons into a circle and talking about the Indians. In London, where the same kind of abuses were going on, the Council of the Booksellers' Society arranged a conference of booksellers and publishers in 1895 to discuss their common problems, and this meeting generated so much discussion in America that it led in 1900 to the organizing of the American Publishers' Association, and later the same year to the creation of the American Booksellers Association.

The publishers started off on the wrong foot. They enacted a six-point reform plan in 1901, aimed at the pricing system, by which members agreed that after May 1, net books would be sold only on condition that the retail price be maintained as provided by the regular members of the association. Booksellers who failed to sell net books at net prices would be penalized by a refusal of publishers to sell to them or to distributing houses supplying them. Although department stores were not mentioned specifically, it was understood they would be treated the same way as other booksellers. The ABA at its annual convention that year wholeheartedly supported the publishers' plan, and by the end of the first year only Macy's, among the department stores, and J. B. Lippincott, among the publishers, were the major holdouts. Jobbing houses remained loyal to net pricing.

Macy's proved to be the rock on which the plan foundered. In 1902, it filed a historic suit in the New York State Supreme Court, asking that the APA and ABA be restrained from enforcing the rules against underselling and seeking a perpetual injunction against blacklisting them or "resorting to any species of threat to compel them to join either of the associations or to maintain the prices of books." Further, Macy's requested a temporary injunction pending trial, $100,000 in damages, and a judgment that the "agreements between the associations to maintain prices and prevent competition be declared unlawful and null and void."

The publishers' defense rested primarily on the contention that a copyrighted book was an article on which by provision of law, as well as the Constitution, the proprietor had a right to fix the price. It took thirteen years for this case to drag itself through the courts, from appeal to appeal, until on December 1, 1913, the United States Supreme Court ruled unanimously that copyright as well as patent property is not exempt from the provisions of the Sherman Anti-Trust law against combination in restraint of trade. Damages were assessed at $140,000.

When the trial was over, it was possible for Miss E. L. Kinnear, Macy's buyer, to disclose how the store had survived, and again it appeared that lack of unity had once more plagued the booksellers' cause. Unable to buy from publishers in her own name, she had turned to relatives and friends as surrogates, eighteen of them at one point, who bought books and turned them over to her. These surrogates had found booksellers as far South as Texas and as far West as Denver who were willing to sell books to be shipped to Macy's. The APA warned those they discovered to stop, and if they refused, as several did, the organization effectively put some of them out of business. Macy's even opened book shops in other cities to get books, and had the stock reshipped to New York.

The outcome of the Macy case signaled the end of the APA. It dissolved late in 1914, denying to the end that it had ever tried to stifle competition and fix prices, a contention that was not believed by the public. It was some time before the publishers were able to organize themselves again, but somehow the

ABA seemed to gain strength as the result of their experience. In spite of the defections to Macy's, most of the trade had stood together.

It was no surprise when an article by George Brett, president of the Macmillan Company, declaring that inadequate distribution was still the chief problem in the book business appeared in the *Atlantic Monthly* for April 1913. Distribution was a problem that could only increase as the business itself grew, first in the twenties, and then tremendously after the Second World War. With the number of books issued every year increasing fourfold between 1940 and 1980, further major problems were unavoidable, or at least no one discovered ways to avoid them.

Some of the old problems yielded to the advance of technology, so that in our time the computer has brought a measure of order to shipping and billing procedures, although breakdowns can be far more spectacular than in the old days. Liaison committees between the Association of American Publishers and the ABA, and between the AAP and the National Association of College Stores, help both sides to deal with common problems. Discounting is now so widespread in so many forms that no one can fight it, and in many cities, the discounters and the full-price personal bookstores co-exist, sometimes almost side by side, for reasons which remain mysterious. Nevertheless, the latter continue to slowly disappear, under the onslaught of inflation and the three major bookstore chains.

If the old problems have been mitigated, though not entirely eliminated, the new ones are even more formidable, and they begin, as everyone knows, with the problem of getting forty thousand titles a year into hands of the people who want to buy them, using a system that is basically two hundred years old and hasn't changed much in all that time. The book industry spends less on research than does any other business in the country, and consequently it is the only one that doesn't know why people buy its products—or rather, it has dozens of different explanations, not one of which is backed by any comprehensive body of data. Each is supported by people who are absolutely sure they are right. Attempts to analyze bookbuyers and their habits have been met with either apathy or downright hostility on the part of both publishers and booksellers.

There is agreement only on the obvious fact that publishing is unique as an industry. No other business puts some forty thousand products on the market every year, each one of them different from the other, places them in retail outlets by the most haphazard means, compels most of them to make their way without benefit of any but the most minimal advertising or promotion, does little if anything to help the retail outlets with their problems of overcrowding and mostly inferior management—and then agrees to accept all the books the retailer has bought which he hasn't been able to sell. These books are subsequently either destroyed or remaindered in a final process from which the author, who keeps everybody alive by producing the product in the first place, gets nothing. "Unique" may not be an adequate word.

Curiously, there is a tendency among publishers to minimize the difficulties of the publisher-bookseller relationship, even though they are compelled to deal with them constantly. Perhaps some are misled by the annual love-hate-feast convention of the ABA, at which publishing practices are regularly criticized, if not denounced, at the business sessions, as they have been for nearly a century, but the rest of the time is spent busily selling books on the exhibit floor or being entertained virtually around-the-clock with a conviviality which sometimes surpasses both understanding and endurance. People come away exhausted but feeling that in the end all is well, or will be. A season with a few big sellers makes everyone happy, never mind the

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To any trained observer who examines the whole selling process as it is practiced today, the wonder is that books get sold at all.

thousands of others that didn't sell and had to be returned and remaindered.

It is a fact, although often denied, that many publishers in the major New York houses ("publishers" meaning top executives and editors) have very little idea of what really goes on in bookstores. This is a frequent complaint among traveling salesmen, who *do* know. To any trained observer who examines the whole selling process as it is practiced today, the wonder is that books get sold at all, or that any but a few obvious sellers ever have a chance.

The process begins with the sales conference, at which the salemen are given a sales pitch from editors or other executives about a selected number of books from the list of anywhere from one hundred to three hundred per season, since no salesman could be expected to sell everything the house publishes. How the others get into the stores is a matter of pure chance. The salesmen, for their part, listen to these pitches with varying degrees of enthusiasm and belief. They know what comes next.

What does happen next is not fundamentally different from Parson Weems's travels nearly two centuries ago. The salesman goes out and calls on the trade, equipped with jackets or other materials that will help him sell, and he calls on the buyers in the stores, either the proprietors in the smaller ones or the formidable people who buy in the large organizations — "formidable" because of the power they possess. In the case of the smaller shop, the salesman (or woman, who is now more prevalent and doing well) has anywhere from ten or fifteen minutes to an hour at most to go through his list and make his pitch. The proprietor is usually interrupted frequently, has a thousand other things on his mind, is harassed by a dozen insurmountable problems, and orders what his experience and intuition tell him he can sell, which may be at some distance from what the publisher thinks. The salesman is operating somewhat by instinct too, since he could hardly be expected to read any more than a fraction of the books he is selling. Weems, at least, had time to read the whole stock.

In this way, books are gotten into the store, through the distributors who handle the output of publishers, and they arrive in bundles which have to be opened by someone and then placed on shelves already overcrowded to remain there until they are cleared off as returns. Depending on the store, the shelf life for a hardcover book is anywhere from a month to three months, unless it is a backlist item or one that is specialized enough to be assured of a continuous sale. As we all know, the shelf life of a paperback is a month or less, depending.

The chain store buyers, whose purchases are in large quantities, have a somewhat simpler initial problem. Their task is to select the books and authors from the salesmen's lists that they believe can be sold either in the largest quantity or on a continuing basis. Since they are by far the largest buyers of books, they have laid themselves open to the charge that they influence publishers' output because the publishers want to issue books that these buyers will buy. It is not a charge which merits black-and-white answers, since it is a more complicated problem than it appears.

Everyone is familiar with the essential problems involved in merchandising books through the smaller outlets — too many titles, not enough space, increasingly high overheads, and competition from the chains, to which can be added the perennial problem of help. And that is a baffling problem. It is well known that in stores of every kind that the clerks are underpaid and most of them do not know the stock. They are often transients, in between jobs in the theater or elsewhere. To train a corps of book clerks who would have a grasp of the stock and know how to sell it and to pay them at a salary level which would lift them out of the transient class seems beyond

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Publishers and booksellers alike still complain about each other after two centuries.

the capabilities of a business with so slim a margin of profit as bookselling. Yet this is the vital link, the point of sale contact which determines so often how many books are going to be sold. As things stand, customers are by and large compelled to shift for themselves. The more knowledgeable ones do this rather well, but that larger audience of people who are afraid of or at least uncertain about bookstores, and who do not have the assurance that knowledge gives the other buyers, are often discouraged and abandon their search. For a hundred years the trade has talked about reaching out to these people, but virtually nothing has been done about it.

Those who look at the large and seemingly well-ordered layouts of the major chains are given the illusion that order and system prevail here, well above the clutter and confusion of the small shop. It is, sadly, not the case, even though many people in publishing houses think it is. The problem with clerks is the same, and even worse in some cases where the salespeople are as lost in the vast array of merchandise as the customers. Without *Books in Print,* hardcover and paperback versions, many of these people would be helpless.

An experienced merchandise manager of a major paperback house was dismayed the other day to walk into one of the large chain outlets, checking up on his own products, and discover that a paperback released simultaneously with a hit motion picture could not be found without a long search, until it was discovered on the wall shelves tucked away behind some other books. The clerk was no help. She had heard vaguely of the movie, notwithstanding that it was a topic of conversation everywhere, and of the book not at all. She was not sure of the title until she had looked it up in *Paperback Books in Print,* and then, joining the search, was not the first to find it.

Other examples of mismanagement in this particular store were numerous -- misplaced stock, mixed-up categories, and a dozen other deficiencies, along with a sales staff that was good at moving books from place to place but little else — and the visiting merchandise manager admitted that the situation was only a shade worse than at some other stores he had visited. So big money and big volume do not necessarily make a merchandising operation. Confusion and poor selling practices have not been materially reduced by the chains. As for the paperback trade, this vast and complex business may be the best example of organized chaos in the entire industry.

Needless to say, publishers and booksellers alike still complain about each other after two centuries, but what is startling is how little the basic substance of these complaints has changed. Tremendous growth has so far saved the industry from itself. Out of all those books, enough money can be squeezed so that most publishers and booksellers remain solvent, and some do well. But is this likely to be a permanent condition? History and the times suggest not. The steady decline in literacy, making the growth in population increasingly out of proportion to the number of book readers, suggests that the time will come when the industry will either have to overhaul itself or see itself diminish, with consequent hardship and economic loss. Progress is not inevitable, as some appear to think.

A first step would certainly be to make a massive examination of the industry. The last major attempt was nearly a half-century ago—such a landmark that the Cheney Report is still referred to today with some awe, although its recommendations were promptly attacked and then disregarded by the very publishers who paid for it. With the investigative tools available to us today, a far more sophisticated Cheney Report is possible, and one hopes that this time a more enlightened publishing community would not ignore those parts of the report which offend its preconceived ideas.

The centuries-old conflict between publishers and booksellers has still not ended but

it should, especially now. Through their organizations, these two groups already have a working relationship that is more satisfactory than it has ever been in the past, but it falls far short of what needs to be done. The organizations we have today, and those of the past, were the products of crisis, created when conditions were so bad that something had to be done. It will be unfortunate if we have to wait again until there is a sufficient amount of blood on the floor. We have a much larger, far more complex industry now, and cleaning it up at that point of crisis may be a task too formidable to contemplate. For the moment, all it would take is honesty and a united effort.

American Booksellers and Publishers: a Personal Perspective

Carl A. Kroch

My interpretation of the purpose of this colloquium is to define the responsibilities of parties involved in the book distribution process to each other. As a bookseller I hope to explain my relationship with publishers, authors, and, of course, with the book-reading public. Before I do so I will digress and give a short resume of my career as a bookseller and the many changes I have seen in the forty-five years I have devoted to this wonderful profession.

On April 9, 1935, I formally became a bookseller. I say "formally" because I was a bookseller since the dawn of my consciousness. My father had opened his own bookstore in 1907 and from early childhood I heard discussions of the trials and tribulations of bookselling. I regularly met authors, publishers, and other booksellers in our family home. I graduated from Cornell University in February 1935 and, after a few months of vacationing, joined my father on that fateful April date. I had worked for dad after school and during vacations but now, at last, I would be a full-fledged member of that fraternity of which I had heard so much.

At that time the Kroch bookselling empire consisted of a large Kroch's store on Michigan Avenue in Chicago, where I started my career, a small branch on La Salle Street, Chicago's financial center, and the Chicago Brentano's store which had been bought by my father when that venerable chain went bankrupt in 1933. I started out as a very junior salesman. My main duties for the first few months were dusting and alphabetizing shelves and shelves of books, under the watchful eye of my

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From the very first of these meetings I learned the reason for dad's success as a salesman — *enthusiasm*.

father. He was not only the owner but also buyer, general manager, head salesman, personnel director, advertising manager, and copywriter, and he also performed a thousand other duties.

Kroch's on Michigan Avenue, which dad grandly called "the Meeting Place of Intellectual Chicago," was a good-sized store with a sales volume of about three hundred thousand dollars per year. When you consider that novels sold then for two dollars or at the most two dollars and a half, that volume would translate into about $1 million today. It was a complete bookstore with a trade department, children's books, an excellent art department, well-stocked technical, scientific and business book departments, and a representative foreign book department. We also had an old and rare book department featuring books in leather bindings and a good selection of not-too-expensive rare books.

Dad was a super salesman. He was devoted to the treasure he was selling, and he was also that rarity among idealists, a good practical businessman. Just two examples will demonstrate that practicality. When the Great Depression of the thirties finally reached the book business in 1931, dad was saddled with an annual rent for the Michigan Avenue store of fifty thousand dollars which the business could not afford to pay. He approached the landlord and suggested that the lease be cancelled and a percentage lease, in which the amount paid is based on the volume of sales, be substituted for it. It is hard today to believe that a landlord would cancel a good lease, but those were desperate times, and dad was very persuasive. The landlord consented to the new lease. The percentage decided on was 6 percent, which even today is the recognized figure for rent in bookstores.

Something else that is difficult for younger booksellers to realize is that books were sold on an outright and not a returnable basis. If you bought a book and couldn't sell it you were stuck with it. Dad, out of necessity, made a change in this method of buying. The necessity was the fact that he did not have sufficient capital to stock the stores. When buying new books he would tell the salesman, "I'll take twenty-five copies — ten outright and fifteen for display." The "display" meant, of course, on consignment and these books were returnable. Thus, necessity was the beginning of the purchase of books on a returnable basis.

Our normal workweek was a six-day fifty-four-hour week, and once a week after store hours dad would call a meeting of the sales staff to discuss any unusual problems and hear their comments on new books that they particularly liked. From the very first of these meetings I learned the reason for dad's success as a salesman—*enthusiasm*. He stressed that knowledge of your product or subject was essential, but without enthusiasm you could not transmit that knowledge to prospective buyers. I, too, feel that enthusiasm is all-important and I stress this at our staff meetings. With a present-day staff of over seven hundred, I don't do any selling to individual customers but try to do it on a mass, but still personal, basis. For seven years I wrote a "Tending Store" column in a weekly advertisement we ran in the book section of the *Chicago Tribune*, and it is still running in *Chicago* magazine. "Tending Store" is a conversational column about books and my personal experiences in the business.

It was our good fortune to have as manager of the Brentano's store W.W. Goodpasture, known to one and all in the trade as "Goody," and he made a number of important contributions to bookselling as we know it today. For example, it was he who persuaded publishers to sell backlist titles on a dating basis so that we could buy and receive those titles in summer and pay for them in January. At first publishers were skeptical but he asked them, "Would you rather see the books in your warehouse or on our shelves where customers can

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see them?" His logic won them over and what we found, of course, was that the books were often sold during the so-called slow season and we would have to reorder for the holiday sales season. Goody also decided by 1952, when we combined Kroch's and Brentano's into the "World's Largest Bookstore," that there was a future in selling paperback books, and we opened a Super Book Mart featuring an unheard-of selection of fifteen thousand paperback titles. In a 1953 issue of *Life* magazine a picture of our Super Book Mart appeared with the caption: "New way to sell books was supermarket style — as inaugurated by Kroch's & Brentano's in Chicago."

In planning the Super Book Mart, Goody and I realized that books could not be effectively displayed on shelves with the spine out. Publishers spent considerable amounts of money on book jackets and we were hiding these jackets by displaying only the spine. We adapted the fixtures used in the greeting card industry and designed curved racks with shelves tilted so that we could display the full covers of books. These racks have become standard for displaying books. We also fitted the book racks with canopy lights and increased the lighting level throughout the store, a favor to customers who had come to expect darker, less pleasant surroundings in bookstores of the past.

Recently we have developed the "full-service" bookstore concept, following the example of the banking industry, which has advertised the idea so successfully. The term "The Full Service Bookstores" has been registered in the United States Patent Office and may be used exclusively by Kroch's & Brentano's. Here is our Full Service creed as I hope we practice it in our eighteen stores:

The Full Service Bookstore

1. A convenient location.
2. An attractive decor with fixtures specifically designed to display books, and good lighting to make browsing more pleasant.
3. A well-selected inventory of books on all subjects in both hardbound and paperback editions. To include such rather specialized fields as technical, scientific and business, art and the social sciences. To carry not only the latest books on all subjects but also standard backlist titles.
4. A sales staff able to counsel customers in the selection of books on any subject.
5. Regular mailings of catalogs to customers advising them of important new books on a variety of subjects.
6. Charge accounts for those customers desiring credit.
7. Delivery of merchandise purchased.
8. Full return privilege (refund of purchase price) on any book not entirely satisfactory.
9. A willingness to take special orders for books not in stock and procedures to make prompt delivery of such special orders.
10. Mail and telephone order departments staffed by experienced and competent employees for customers wishing to order in this manner.

I hope that I have not lost my audience with this lengthy introduction. Now I would like to discuss my feeling about our relationship with our customers. First, a bookseller must be a competent businessman. Bookselling requires all the systems and controls that any retail business must have if it is to operate successfully. And if a bookseller is not successful he cannot serve his customers. Equally important is a love of books and the passionate feeling that they deserve to be disseminated as widely as possible. This enthusiasm for books is necessary not only in the small personal bookstore but also in larger organizations such as Kroch's & Brentano's. Many of our salespeople already share our love of books when they come to K&B, and we encourage them to

What I mean by censorship is the proscribing of ideas and beliefs.

continue learning about books and express their enthusiasm to their customers. When it comes time to fill supervisory and management positions, these eager, enthusiastic, knowledgeable people make excellent candidates. I think it is a telling fact about K&B that our entire management staff — from the top down — has been promoted from within.

Next, a bookseller must attempt to provide his customers with a selection of merchandise that will fill any reasonable request. I am speaking not just of new books, but particularly of backlist. At K&B we try to have an assortment of books on every conceivable subject. Our aim is to carry any title for which we believe there is a probable sale of at least three copies per year. If that cannot be expected, we do not stock it but we will special order it.

Third, and vital for a successful bookseller, is the refusal to condone censorship, and by censorship I don't refer to controversy surrounding the so-called erotic book. I would be in jail today if forty years ago I had been selling books that you will find now in any bookstore. Words and subject matter that were considered offensive in the past are now, of course, acceptable and expected. What I mean by censorship is the *proscribing* of ideas and beliefs. I well remember the furor when Houghton Mifflin published and we dared to carry Hitler's *Mein Kampf*. Certain groups threatened to boycott our stores and actually advocated physical violence to force us to remove this book from sale. We were also accused of being pro- or anti-Catholic for carrying certain books. If we carried Mary Baker Eddy's books we were advocating Christian Science; if we didn't carry them, we were prejudiced or were censoring her beliefs. The list was endless and I spent a lot of time explaining to customers that just because we were stocking a book didn't mean that we were supporting any cause and that as responsible booksellers we had the obligation to carry controversial books on many subjects to give the reader an opportunity to make up his own mind.

To return to censorship as in "X-rated," a story, probably apocryphal, has always amused me. One noon Charles Scribner wished to speak to his noted editor Max Perkins and finding Perkins's office empty and his secretary away from her desk he looked at the editor's desk pad to see where he might be. He found the notations "Noon — lunch with Hemingway, 2 P.M. — the four-letter word that denotes sexual intercourse (which I still can't bring myself to use casually). Incensed that his editor was evidently planning an assignation on company time, he later confronted Perkins and asked him about the memo. Max casually replied that he had lunch with Hemingway and later at the office tried to persuade him to delete the offending word from his forthcoming book. How times have changed!

What should be the relationship between bookseller and author? It is a many-faceted one. The bookseller must advise the young author, encourage the discouraged author, placate the suspicious author, and be friendly with the successful author. An example: mother and dad were traveling to England on the *Aquitania* in 1934 and dad was reading the galley proofs of a book by Irving Stone that he had taken with him. It was *Lust for Life*, published by Longman, Green & Co. Dad became excited, he was entranced, but then he remembered that he had bought only five copies of the book when it was offered to him by the Longman representative. This was actually Stone's second book but the first was stillborn, the author as yet unknown. Dad cabled Longman from the ship and increased his order to one thousand copies. Longman, not

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believing in wasting money, sent a one-word reply, "Why." Dad's answer was, in my opinion, a classic. It was, "Why don't you read the book?" *Lust for Life*, as you well know, was a tremendous success, launched Stone's career, and was greatly responsible for the interest in impressionist art in this country. Dad and Irving became lifelong friends.

I feel that I helped a discouraged author when I wrote a "Tending Store" column about Harry Mark Petrakis and his book *Pericles on 31st Street*. Here is his reply:

April 14, 1965

Dear Mr. Kroch:

I was much moved by your warm and gracious reference to me and to my work in your column last Sunday. The words were strong and unqualified and your faith in my future is gratifying. I think it is true that all of us live under the dreadful burden of uncertainty. We can chart the course of a fatal illness from the moment of its inception to the moment when it kills us or someone close to us. The times in which we have these burdens are fierce and produce in many writers a kind of savage nihilism. It is not enough to obscure this despair with cliches and optimistic anticipations. We can only recognize that along with our responsibility to ourselves as writers, artists, we have a responsibility to others as well . . . to try to render in compassionate and moving terms the human condition, the great unfathomable mystery of life and of men and women who weep and smile with one face. When we are young we want all the radiant earth and no one can convince us that someday we will not have it. I think as we grow older we are willing to settle for much less. In my own experience I once wanted great fame and great wealth from my work. I would be grateful now for a little health, a little money, and the serenity of spirit to produce my books and stories. Even this achievement is a luxury which life does not always provide.

Thank you again. I did enjoy meeting you that afternoon in the store and look forward to a more leisurely visit sometime when we might talk.

Warmest best wishes,
(signed) Harry Mark Petrakis

Harry Mark Petrakis
2463 East 74th Place
Chicago, IL 60649

Harry and I have become fast friends and his books are enjoying the sale they so well deserve.

Theodore Dreiser was a suspicious author. He believed that his publishers were cheating him on royalties and he wrote representative booksellers asking them how many copies of a particular book of his they had sold. Dreiser believed that he could thus figure out how many books had been sold nationally and confront the publishers with what he thought were the actual sales figures and not the reported ones. He wrote my father about sales of *An American Tragedy* and *The 'Genius.'* Dad answered him and here is Dreiser's reply:

June 3rd, 1929

My Dear Mr. Kroch:

Thank you very much for your letter in response to my request for information regarding sales of the "Genius" and the "Tragedy." The figures you give are very helpful in my plan of comparison, and your high opinion of "Tragedy" is indeed a pleasurable one for me to hear.

Yours sincerely,
(signed) Theodore Dreiser

Box 202
General Post Office
New York City

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Good relationships with publishers are vital to any successful bookseller.

Sinclair Lewis was a grateful author. In dad's first edition of *Main Street* he wrote: To Adolph Kroch, who has been one of the best friends of this book, with the greetings of Sinclair Lewis. Chicago, March 10, 1921.

Now for the author who needs deflating. A rather prominent one spent half an hour telling dad how difficult it was to write a book, how much knowledge was required, how much study, and so on. Dad finally interrupted him and agreed with all the statements the author had made and said that he realized what brilliance it took to write a book. Then dad added, "But it takes a genius to sell one."

Good relationships with publishers are vital to any successful bookseller. They can be most helpful to either a struggling young bookseller or an established one. I have been proud of my relationships with publishers. We have always wanted our share of any special incentives that are offered, such as co-op advertising, author appearances, or other promotional help, but we have never tried to take advantage of our good relationships. Booksellers and publishers need not be natural enemies. Both will prosper by working together.

The publisher I feel had the greatest impact on my business career was Richard L. Simon, cofounder of Simon & Schuster. Dick was the most innovative publisher I have ever known. He had a tremendous influence in the entire industry. It was he who experimented, so successfully, with the odd price for books. He reasoned that when you went into a drugstore and bought a tube of toothpaste for seventy-nine cents you felt that it was marked down from a dollar and that you were getting a bargain. Why not do the same thing with books? So he priced his books at $4.95, $7.95 and $14.95. I don't have to tell you that this is now a standard practice in the industry.

Simon & Schuster was one of the first publishers to use coupon advertising with the orders directed to them and not to dealers. Booksellers were incensed; S&S was stealing sales from them and they wouldn't sell their books. But that wasn't Dick's idea. He was merely creating a demand, which meant more sales for booksellers. And that theory has been proven true.

Dick made two suggestions to me that I believe have been most useful. He said that the public generally is afraid to go into bookstores. They fear that some salesperson will correct their pronunciation of an author's name or that they, the customers, will show some degree of ignorance and embarrass themselves. Dick said, "Make people want to come into your store, make them feel at ease and welcome." I have tried to make the Kroch's & Brentano's stores pleasant places in which to shop. I stress that point to our sales staff continuously. No salesperson can know everything, but everyone can try to find the information the customer wants and make him or her feel welcome. Then, and only then, will a customer want to return to your store. Dick also urged that we advertise consistently. Not every ad will pay out but the cumulative result will be a recognition of your store as the place to buy books. We have advertised consistently in print, by direct mail, and on the radio for forty years, and it has paid off.

I believe a number of changes in the publisher-bookseller relationship must take place if the smaller independent bookseller is to prosper and perhaps even continue to exist. These are merely suggestions and are not necessarily my recommendations as some of them are not in the best interests of my firm. However, I feel they are worthy of consideration and study.

The first, and probably most revolutionary, is that books be sold on an outright, not a returnable basis. Discounts would have to be adjusted to enable the bookseller to absorb the cost of unsold books. However, disposing of these books would enable the bookseller to have an honest clearance sale which would attract customers to his store.

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Books should be supplied to the retailer transportation paid. The cost of transportation should be reflected in the retail price of each book. Mass market paperback publishers already provide free transportation and evidently include this cost in the retail price. I believe such a change might require adjustments in the royalty agreements with authors, but I have been led to believe that many authors, and even the Authors Guild, are in favor of such a change. They believe it will be helpful, in particular, to the smaller independent bookseller who is able and anxious to do more for the budding young author than the chain operators.

The practice of giving a discount on the total purchase of a chain with shipment to each individual store should be eliminated. This so-called "drop shipping" is unfair and unjustified by any alleged savings. The cost of shipping, invoicing, and then probably processing returns from several hundred branches of a chain is certainly more expensive than a single transaction. For example, a smaller retailer who orders twenty-five copies of a book may receive a discount of 40 percent while his nearby competitor, a branch of a chain, could receive as high as 48 percent for his order of twenty-five copies since this order was combined with the other branches of the chain.

All of the members of the book industry — publishers, booksellers, printers, yes, even authors — should make an agreed upon percentage of their gross receipts available for a national advertising campaign to encourage Americans to read. Other industries have launched this type of campaign with excellent results. Most people have heard and reacted to the "Say it with flowers" theme, for example. If we could instill an appetite for reading in today's nonreaders, the benefits would spread beyond the industry to the society at large.

These suggestions are controversial and I can only hope that they cause some publishers to reconsider their present relationship with their bookseller-customers.

In closing I believe a quotation from Jeremy Collier, written in 1698, is appropriate: *Books are a guide in youth and an entertainment for age. They support us under solitude and prevent us from becoming a burden to ourselves. They help us to forget the crossness of men and things, compose our cares & passions, and lay our disappointments asleep.*

The Responsibilities of Publishers to Booksellers

George P. Brockway

I propose to take a mundane view of my subject. "Responsibilities" is a fine six-syllable word. It can be spoken trippingly on the tongue. It tends to stimulate, in us publishers, noble sentiments about the republic of letters, the world of ideas (which has recently been equipped with gates for us to keep), our cultural heritage, and generations yet unborn. I am not denigrating these sentiments — though I have noted in them a tendency to end as high in the air as they began. I propose to begin instead, where I usually do business, in an office on the sixth floor of a fifty-year-old building on the northwest corner of Fifth Avenue and Forty-second Street, in the City of New York. When I am daydreaming, which is a good deal of the time, I can gaze out my window at the facade of one of the world's great libraries. It is a fine sight, and pretty close to the ground.

In staying close to the ground I am guided by the teaching of the late Professor John William Miller of Williams College, one of whose central ideas was what he called local control. By this he meant merely that your deed must provide its own authority, that the issue in the ethics is not standing outside the world, on a platform that never was, and choosing between good deeds and bad deeds, but doing in the world, here and now, what makes doing any deed at all possible, or at least doesn't get in its way. Lest you fear that I may soar into the intense inane myself, let me remind you of the anecdote in which the Yankee tells the bewildered New Yorker that if he wanted to go to Boston he wouldn't start from where they were. The obvious moral is that if we don't start from where we are, we'll never get to Boston at all.

When I have located myself as a book publisher, even as a New York book publisher, I'm still not very precisely located, for the publishing industry is far from homogeneous. The largest firm is perhaps five thousand times as large as the smallest. The differences in the industry are, moreover, not merely matters of size. I have listened to a distinguished sociologist who spent a quarter of a million dollars of taxpayers' money studying the industry without noticing that trade publishing is grossly different from college publishing, but most of us are aware that they do differ and, moreover, that both differ from el-hi publishing and from medical and legal and religious and direct mail and technical and mass market and book club and many others.

Even these gross differences are not all. Each of us could name pairs of similar-sized trade houses, one of which concentrates on best-sellers while the other nurtures a backlist; or one of which seeks stability in juveniles, while the other goes in for reference books; or one of which emphasizes literary fiction of international stature, while the other favors light romance.

Now these different kinds of trade publishing houses make different demands on the distribution system, and this is where our responsibilities to bookstores arise. Our first responsibility, however, is to stay in business. This is an obvious responsibility to ourselves, our stockholders, our employees, our authors, and our creditors. But it is a responsibility to bookstores, too, for if we don't stay in business they'll have no one to return overstock to. They'll also have no way of replenishing their stock of books that sell, but the overstock problem is more realistically on their minds.

In order to discharge the responsibility of staying in business, we must be prepared to

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Our first responsibility . . . is to stay in business.

be of a certain size, to do a certain amount of business, or to accept the consequences. You can't publish a half a dozen thin volumes of verse and expect to make a living at it. There are people who try to do this and blame the System when they fail; but even if the conglomerates were more benign, the outcome could not be different. We must publish or perish.

Our next responsibility is to keep our outlets in business. This is sometimes easier said than done. Masters of business administration tend to find the whole industry irritating because so many authors write, so many publishers publish, and so many booksellers sell with their eyes on something other than money. Behaving this way they sometimes go broke or, more likely, run at a real loss because they Love Books. The ABA has plenty of statistics to support this observation. It is at this point that a publisher's responsibilities thicken. What should we do to keep our outlets in business?

First we must determine who our outlets are. I'm afraid that few of us give the question more than a passing thought. Let me illustrate what I mean with a bit of recent history. The late Franklin Watts, who had been a bookseller and then a commission salesman with a very small-time publishing operation on the side, drifted into juveniles by means of marrying one of the most active editors in the business. Frank's experience made him skeptical of the ability of bookstores to sell most juveniles, and of salesmen — there were no salespersons in those days — to do much more with most juveniles than collect a commission on ledger business. Most juveniles, then as now, were sold to libraries. The book trade accounted for only 10 or 20 percent of the business, mostly concentrated in relatively few titles, like *Ferdinand* or the Bobbsey Twins or Golden Books.

Armed with his experience and his skepticism Frank pursued a very rational policy. He published his books only in a so-called library binding (the kind that is so strong that children have trouble opening the covers). This saved a lot of wear and tear for the libraries and it cut his inventory problem in half, for unlike his competitors he didn't have to have two different editions of every book. His sales effort was reduced to almost nothing because practically all libraries bought from one or another a handful of library jobbers. His so-called net prices seemed reasonable to the libraries and his discount schedule attractive to the jobbers.[1] He prospered by narrowing his market and supporting the outlets he retained. The ordinary book trade was shut out.

Similar strategies have been adopted by others. When I left McGraw-Hill in 1942 I felt the least I could do in return for my five years' employment was to tell them how to run their business. So I bequeathed them a memo strongly urging that they capitalize on the war boom in technical books by giving trade discounts thereafter. It would appear that they prospered, as so many have, by not following my advice. As another example, it can be argued that the textbook business concentrates on its real outlet — the teacher — to the detriment of a conduit — the college store. As an example a little closer to the interests represented here today, the book trade's quite proper objections to dual editions of textbooks with some trade appeal has quite reasonably led publishers to drop the trade edition.

The book trade proper is not without examples. It is widely (but, I think, mistakenly) felt that the single-copy special-order business costs more than it is worth. Various attempts have been made to discourage it, from outright refusal (which one publisher practiced for a while in the thirties) to the six or eight-weeks' fulfillment time that is all too common today. Then there are those who have noticed that a very high percentage of their business is done with twenty or thirty large accounts, mostly jobbers and chains. If attention is extended to two or three hundred fairly large accounts, the

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It turns out that you can't *make* people buy any book.

remaining uncovered thousands can be proved to represent only a tiny fraction of the business. And even that fraction is not totally lost, for these booksellers must inevitably pick up some stock — especially of best-sellers — from the jobbers.

In such circumstances what could be more sensible than to concentrate on the big accounts and thereby reduce selling costs, narrow the accounts receivable problem, and, perhaps, pass some of these presumed savings on in the form of higher quantity discounts and increased cooperative advertising? This is what I call the Accountant's Gambit, and it depends on paying strict attention to dollars and none at all to the books that earn the dollars. (I must confess that my father was an accountant; so you may find traces of an unresolved Oedipus complex in my remarks.)

Now if you use the Accountant's Gambit you soon find that certain sorts of books sell well enough but certain other sorts prove disastrous. Best-sellers, Bibles, some reference books, and coffee-table remainders do as well as they ever did, maybe even somewhat better, but other books tend to weaken, and some die. People have been wringing their hands over first novels since the beginning of time. The Accountant's Gambit does something about them: it sweeps them off the board. Before long the so-called midrange book — the one that used to sell, with luck, between seven and seventy thousand, begins to be vulnerable, especially after returns of 40 percent or higher are posted. Right now there is a lot of after-hours talk in the industry about the mid-range book and its troubles. All this naturally emphasizes the importance of best-sellers — if only by default — whereupon agents and authors find the brass to spurn publishers' pleas for loyalty. The resulting auctions produce some scary prices. You begin to think that the complaints of the Authors Guild and PEN may have some merit, and that Something Should Be Done.

Before proceeding, I must say a few words about the chains. Representatives of the chains will find nothing new in my remarks, but others may find them surprising. Let us take a mythical chain of five hundred stores. A publisher employing the Accountant's Gambit may do as much as 10 percent of his business with such a chain; so if he wants an advance sale of ten thousand on a certain book he must sell a thousand to the chain. This he manages to do at his top discount, and the joyful news passes quickly up and down the corridors of his office. But the chain manager has a more realistic view of what has happened. A thousand books allocated among five hundred stores is only two to a store. Since some stores are bigger than others, some must be smaller and so get only a single copy or, in some cases, none. Even the flagship stores may get only ten or fifteen copies — not many for such an important book in such impressive outlets. That order for a thousand books is not quite so exciting as it was.

But suppose the chain doesn't buy the thousand. They don't do well, they say, with that sort of book, and they have records to prove it. At this point publishers and authors begin to mutter about dictatorship. Pretty soon, they whisper (or, according to their temperment, shout) that nothing will be published that isn't approved of in Stamford or Minneapolis or Chicago.

I submit that the true situation is somewhat different and not necessarily ominous or even new. Years ago I used to try to pressure Phil Sipser of Dutton's Bookstore on Park Avenue into representing books he didn't want to buy. "Young man," he'd say, "I may not know much, but there's one thing I'm the world authority on, and that's what won't sell in Dutton's Bookstore." That was dictatorship, too, and multiplied many times, it was very persuasive. I learned a lot about books that won't sell. It turns out that you can't *make* people buy any book. It really is a free country.

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What is perverse is for a publisher to insist on publishing books his outlets cannot sell.

That point needs some emphasis. When I tried to sell, as I often had to, something like *How to Get Ahead in Business,* Phil Sipser was right to resist, because his Park Avenue customers had already got ahead. By the same token, there is nothing perverse in our mythical chain's refusal to buy a thousand copies of a book their experience tells them they cannot sell. They may sometimes be mistaken — who may not? — in which case it's up to us to prove them wrong. Their computers may be imperfectly programmed, but it is easier to deal with them than it was with Carl K. Wilson, who had his business in his hat.

There is nothing perverse in bookstores, large or small, independent or enchained, refusing to buy books they fear they cannot sell. What is perverse is for a publisher to insist on publishing books his outlets cannot sell. Such insistence may be charming and even noble. It may earn the plaudits of the leading thinkers of our time. It may deserve the gratitude of generations yet unborn. But it is perverse.

This perversion, however, can be cured. The usual cure — at any rate the one usually proposed — is to change the product mix. One engages in market research, perhaps like that of the Consumer Research Study on Reading and Book Publishing conducted two years ago for the Book Industry Study Group. The results of the study are, after all, pretty broad. So one takes what appears to be a representative of the largest segment of the book-buying population — a young woman with a high school education and an income of ten to thirty thousand in 1978 dollars — and tries to discover What Does The Woman Want. That is one way to cure the perversion, and I'm not one to say it shouldn't be tried or that it won't work.

But there is another way, and that is to reexamine the implications of the Accountant's Gambit. The Accountant's Gambit, it will be remembered, concentrates on dollars rather than books. I suggest that it is possible to approach the business from the opposite direction. Instead of asking what kinds of books should be published to make the most money in the most efficient way, one can ask how one can make money publishing the kinds of books one wants to? (What these wants are and how they can be justified are not here at issue.) When one seeks an answer to the second question one finds — at least one finds if one isn't skilled at producing nothing but best-sellers — that one needs to cover not only the handful of accounts provided by the Accountant's Gambit but many more besides — perhaps two thousand more.

The reason for this is perfectly simple: books are sold on exposure. The best exposure, we all say, is word-of-mouth, but that is not the primary exposure. The primary exposure can be achieved in many ways: selection by a major book club, a super-hype publicity tour, or rave reviews in the major media. The trouble with all these ways is that they're generally all available to the same very few books. The major book clubs accommodate fifty or sixty a year. Tours will yield anything but ulcers to only a few more. *Time* and *Newsweek* review four or five titles a week. The *New York Times Book Review* of course does much better — maybe thirty or sometimes forty a week — but, in spite of its national distribution, it reaches, for example, fewer than ten thousand people in California, which now is probably the largest book-buying state. The *New York Review of Books* has a more evenly distributed circulation but reviews only certain sorts of books. Local media, though frequently excellent, are restricted in various ways. You will notice that I have not mentioned advertising ; my reason is that a limited reviewing medium is also a limited advertising medium. None of these types of exposure is to be belittled, but none can be counted on to do much for most books.

There remains the bookstore. That is where books are exposed — tables of them and

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We publishers can make it convenient and profitable for booksellers to handle special orders.

shelves of them. That is where people — all sorts of people — come to learn about books and to buy books. But they don't learn about and they don't buy books that are not there.

Now, why does it so often happen that many good books — old books, new books, informing books, inspiring books, entertaining books, amusing books — aren't there? First there's the question of space. There are now close to half a million books in print in the United States. This is, I will contend, one of our national glories, but it has its inconvenient side. To display just one copy of each of these books, tightly packed side by side, only shelf backs showing, would require about eight miles of shelving. Perhaps more important, it would require upward of four million dollars invested in inventory. To carry that inventory at the interest rates the Federal Reserve insanely thinks will control inflation would require earnings — beyond other costs of doing business — of close to a million dollars a year. Among other costs would be about three hundred thousand dollars for shipping at the book rates the Postal Service has insanely set in order not to be beastly to junk mail.

So bookstores have to choose what they stock. And here's where we publishers have a responsibility. We can't make any store stock any particular book. But we can be influential and helpful to all stores of all sizes in a number of ways. I'll mention three.

First, we can have intelligent and well-trained sales representatives call on them. We have to be prepared to conduct a business of a certain size in order to do this, but the alternative is the Accountant's Gambit. Just as retail customers don't know about books they're not exposed to, bookstore buyers don't know about books they are not exposed to. Any sales manager can tell you that a missed buyer is a missed sale. The buyer, rather than mushing his or her way through the rich beautiful prose of the catalog the representative left, decides to wait until there are some calls for the books. But there are no calls, because the customers are not exposed to the books.

Second, we publishers can make it convenient and profitable for booksellers to handle special orders. Mostly what is required of us publishers is prompt and accurate service. Why should it take six or eight weeks to fill an order for one copy of one book? The only reason I can think of is the wish of time-and-motion-study men that such trivia would just go away. But such trivia are at the heart of any publishing house that doesn't employ the Accountant's Gambit. They are the very heart of our triumphant achievement of a half a million books in print, and it is a shame that it is not easy to get any book promptly anywhere in America. Any bookstore that can provide good service to its customers will have loyal customers; it is too often the publishers' fault that stores cannot provide good service.

Third, all of us, whether we decide in the end to use the Accountant's Gambit or not, are going to have to look more carefully than we usually do at the way we do business.

Given the manic individualism displayed by most publishers (not to mention the antitrust laws), it would be a waste of our time to explore whether or exactly how these suggestions should be implemented. But there is no doubt in my mind that publishers and booksellers have mutual responsibilities that must be shouldered if they are to discharge whatever responsibilities they may be said to have to society at large. And I intend, as soon as this meeting is over, to go back to that office at Forty-second and Fifth and try to do something constructive about the problems I have discussed here.

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[1]The later antitrust suit, which involved him along with most other juvenile publishers, could have been avoided without basically changing the shape of his business.

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Inflation: A Dilemma for All Book Industry Participants

E. Wayne Nordberg

In a period dominated by escalating price inflation, it is entirely consistent with historical precedent for intra-industry profit pressures to develop. It is all too easy for industry participants to blame each other for what are in reality overriding environmental forces that are affecting business in general. A colloquium directed toward the co-responsibilities of American booksellers and publishers is, therefore, not only timely but essential if industry participants are to maximize the income potential of their businesses and maintain sound capital ratios. In an inflationary period, this requires sorting out problems to identify those that are environmental in nature and those that are particular to a specific industry. During periods of inflationary strain, like today, it is all too convenient for long-standing relationships to degenerate into competitive "beggar thy neighbor" policies that are not only mutually harmful to all industry participants but detrimental to the very momentum of the industry itself. During such periods, managements must resist the temptation to engage in self-serving and expedient corporate policies so that the industry's strength can be marshalled against the real enemy—in this case, price inflation and its primary source, confiscatory government policy.

Having identified price inflation as one of the causes of corporate and industry difficulty today, if not its primary cause, we can continue with a historical perspective that explores its genesis. By understanding the nature of inflation and how it becomes a subtle but integral part of decision making at all economic and institutional levels, managements can construct a rational response to intra-industry problems over which they exercise reasonable control. Thus an economic history of inflation is an appropriate starting point for our consideration of the problem.

An Economic History of Inflation

President Kennedy campaigned on the theme of "getting America moving again." Yet he followed orthodox fiscal and monetary practices during most of his tenure and did little to disrupt the economic stability he inherited. It was not until personal income taxes were cut in two installments—January 1964 and January 1965—that an acceleration in the growth of industrial production was accomplished. And this faster rate of growth was accompanied by price stability until the distortions of the Vietnam War in 1966. From 1966 to the present, our fiscal and monetary overseers have staged a stop-and-go act that has resulted in a ratcheting upward of price levels and interest rates.

By segmenting the 1962–80 period into smaller time periods, we gain a sense of the increasing volatility of government policy. The Gross National Product (GNP), money supply, treasury bill rates, and consumer and wholesale prices are indicators of how government policy has contributed to today's surging inflation and interest rate spiral. Their study helps explain the past and at the same time clarifies the policy dilemma now confronting our political and economic planners.

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Rates of Change for Selected Economic Indicators

Period (Specified by quarter of the calendar year)	Change in Real GNP	Change in Money Supply	3 Month Treasury Rate[1]	Change in Consumer Prices
1. 1Q62-4Q64	4.6%	2.9% 6.6	2.75%	1.3%
2. 4Q64-4Q66	6.5	−0.3[2]	5.30	2.9
3. 4Q66-2Q67	1.1	7.3	3.60	
4. 2Q67-3Q69	3.9	2.0	5.60	5.2
5. 3Q69-4Q70	−1.1	6.9	7.90	5.6
6. 4Q70-4Q72	6.3	6.9	3.25	3.2[3]
7. 4Q72-4Q73	4.4	5.7	8.75	8.4
8. 1Q74-1Q75	−6.1	4.8	5.25	10.6
9. 2Q75-4Q79	4.3	8.0	11.50	10.4
10. 1980 Estimate	−2.0	7.0	16.00	14.0

1. High or low reached in period specified.
2. 2Q to 4Q 66.
3. August 1971 to 4Q72.

As the above table indicates, the major economic cycles since 1962 have established the following pattern:

1. Between 1962 and the beginning of 1965, stable growth was achieved with only a 2.9 percent rate of money supply growth, inflation was miniscule, and interest rates were low.
2. During the next two-year period, tax cuts and the Vietnam War dramatically increased the already adequate rate of real growth. The first postwar "credit crunch" occurred, resulting in higher interest rates and inflation. During the last three quarters of that period, the monetary brakes were applied and a negative growth in money supply was achieved.
3. Nine months of zero money growth in 1966 did slow the economy in 1967 and an abrupt policy shift toward vigorous monetary expansion at the beginning of 1967 was successful in bringing interest rates down dramatically. Although not in our table, the federal budget during this period was rapidly plunging to what would eventually be a $20 billion deficit.

But to stem the economic decline, money supply had to be increased dramatically. And in that decision, we see the emergence of a new trend — the rate of inflation did not decline during this brief period of restraint from March to December 1966.

4. The next year and a half saw the GNP increase at a 3.9 percent rate. But that rate, well below the 4.6 percent rate achieved between 1962 and 1965, resulted in a 5.2 percent increase in consumer prices as opposed to the 1.3 percent increase in the 1962-65 period.
5. A new administration in Washington inherited galloping inflation in 1969. The restrictive monetary policy they applied, as in 1966, caused a recession to develop in 1970, and once again massive monetary stimulation was prematurely used to avoid further Penn Central type collapses. But interest rates reached another postwar high and the rate of inflation *continued to increase!*
6. Money supply growth, at times reaching 13 percent, continued, and with price controls installed in August 1971, the rate of inflation fell. It has since become clear that without controls the 6.3 percent rate of real growth realized in 1971 and 1972 would not have been accompanied by falling prices and, had they believed an inflationary monetary policy was about to be launched as an integral part of the Nixon reelection campaign, the European central bankers would not have agreed to the November 1971 Smithsonian Monetary Accord.
7. In 1973, excessive past monetary stimulation plus the attempted removal of price controls led to further major dollar devaluations and rapid commodity inflation. A reasonable 4.4 percent rate of real growth was accompanied by consumer and wholesale price increases of 8.4 percent and 10.3 percent respectively. Short-term interest rates reached a new postwar high with federal funds quoted as high as 12 percent on some days.
8. The buildup of latent deflationary forces surfaced violently in October 1974. In political response to this most embarrassing economic occurrence in 1975, President Ford, in February, called for massive government interven-

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tion to halt the forces of recession that by the time of his State of the Union message were threatening to cascade the nation into depression. That as late as October the same president was calling, with equal vigor and conviction, for sacrifice and restraint to "Whip Inflation Now" was evidence of the double-jointed skeletal structure that has been bred into today's strain of political animal.

However embarrassing the need to effect a major policy reversal must have been, the extreme seriousness of the economic setback demanded an immediate response. For its part, the Federal Reserve achieved a faster rate of money supply growth in January. But, because of the depressed state of consumer confidence, more direct stimulants were deemed necessary, and correctly so if a depression was to be avoided.

The antirecession package proposed by President Ford was successful in halting the downward momentum of the recession. But the ultimate cost of 1975s program of tax reductions and direct grants (transfer payments) was far greater than the immediate budget effect. We refer here to the startling increase in the share of national income accounted for by *transfer payments* and grants-in-aid.

Historical Trends in Transfer Payments[1] and Grants in Aid
(Expressed in millions of dollars)

Year	Federal, State, and Local Transfer Payments	Federal, State, and Local Grants-in-Aid	National Income	Total Transfer Payments and Grants	Total Transfer Payments and Grants as Percentage of National Income
1947	13.1	1.7	195	14.8	7.6%
1950	18.0	2.3	236	20.3	8.6
1955	18.3	3.1	328	21.4	6.5
1960	28.8	6.5	412	35.3	8.7
1965	39.8	11.1	586	50.9	9.0
1970	78.1	24.4	798	102.5	12.4
1971	92.4	29.0	858	121.4	14.2
1972	102.1	37.5	952	139.6	14.7
1973	116.1	40.6	1066	156.7	14.7
1974	136.1	43.9	1136	182.0	16.0
1975	173.6	54.6	1215	228.2	18.8
1976	189.1	61.1	1360	250.2	18.4
1977	202.9	67.5	1526	270.4	17.7
1978	218.7	77.3	1724	296.0	17.2
1979	246.0	80.4	1926	326.4	17.0

1. Transfer payments are defined as direct payments by government to individuals, e.g., social security, pensions, veteran disability, welfare, and tax rebates.

In the above table I have traced the postwar history of transfers and grants by the government. From 1947 until 1965, this segment of national income remained relatively constant. In the last decade, however, this segment has increased over 300 percent, whereas national income barely doubled. Transfer payments and grants-in-aid accounted for 18.8 percent of national income in 1975, up from 9.0 percent in 1965.

In 1975, transfers and grants increased by $46 billion, or more than half the entire $79-billion increase in national income recorded for the year. This economic hypo might be likened to a narcotic "fix" inasmuch as the behavior of the "patient," in this case the consumer, showed some of the same psychological patterns as the narcotic user. There was little question that the consumer was experiencing severe withdrawal symptoms throughout 1974 that by year-end were approaching

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If you give people money they will spend it.

manic proportions. The measurements of consumer confidence and buying intentions plunged "off the chart" in December.

It was quickly decided in Washington that only immediate "cash in the pocket" could affect the worsening economic slide. Thus entered the $55 billion "economic fix" that was enacted and largely paid out between March and June. The predictable result was a somewhat more ebullient consumer who patriotically spent his handout to the very last cent. In so doing, the consumer once again validated the wisdom and canny insight of New Deal, Great Society, and New Frontier socio-economic wizards: to wit, if you give people money they will spend it.

The problem is that the requisite "economic fix" is getting more and more expensive. As the following table indicates, in the four recessions between 1953 and 1967, the increase in transfer payments in response to economic problems was between 0.65 percent and 1.17 percent of national income in the year preceding the recession. The absolute increase in transfer payments during that period ranged from +7.8 percent in the mild recession of 1960-61 to +20.1 percent during the serious setback of 1957-58. But in 1975, transfer payments equaling almost 4 percent of the national income were necessary to beat back the more assertive forces of deflation, a 34 percent increase over the prior year.

Recession Year Behavior of Transfer Payments, Deficits, and Real Money Supply

	Transfer Payments—Yearly Increase[1]	Increase as Percentage of National Income, Beginning of Year	Percentage Increase	Deficit in Year Following Recession[1]	Percentage of Recession-Year National Income
1974-75	$45.4	3.97	+34.3	$90.0 ('76)	7.68
1969-70	13.3	1.74	+20.2	23.0 ('71)	2.86
1966-67	6.7	1.07	+17.5	25.2 ('68)	4.02
1960-61	1.9	0.48	+ 7.8	7.1 ('61)	1.71
1957-58	4.3	1.17	+20.1	12.9 ('59)	3.50
1953-54	2.0	0.65	+14.3	3.0 ('55)	0.98

1. Expressed in billions of dollars

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While the sheer amount of unearned income created for immediate consumption in 1975 was of great concern, the trends since 1970 are even more frightening. In previous periods, transfer payments had a tendency to stabilize or actually decline as a percentage of national income once economic recovery was established. Since 1970 (see chart on "Historical Trends in Transfer Payments and Grants in Aid"), however, it appears that a steady increase in transfer payments has been politically institutionalized. Consequently, when the "special" need for countercyclical spending arises, as in a recessionary year, there is no reserve in the budget or tax policy to accommodate such programs. The result is simple money creation by the federal government, the purest textbook form of monetary inflation.

9. In the second quarter of 1975, an economic recovery began and has continued at least through the end of 1979. The character of this most recent and longest postwar recovery is a more extreme example of previous cycles in that:

a. The average rate of change in real GNP set a new low for the period under study, i.e.:

1962-66	+5.6%
1970-73	+5.5
1975-79	+4.3

b. Money supply growth set a new fifty-year record, i.e.:

1962-66	+2.9%
1970-73	+6.3
1975-79	+8.0

c. Treasury bill rates set new records from the Civil War period, i.e.:

1962-66	5.3%
1970-73	8.8
1974-79	11.5

d. Average price inflation soared, i.e.:

1962-66	2.0%
1970-73	5.8
1974-79	10.4

Although average real GNP growth was less than during previous postwar recoveries, average price inflation was five times the rate in 1962-66 and almost double that of the most recent 1970-73 recovery.

A significant explanation of this most disturbing phenomenon is the nature of federal deficits. We have already elaborated on the massive deficits required during 1975 to stave off economic collapse. But the deficits have continued at an average rate of $40 billion per year throughout the recent recovery period.

Trends and Significance of Federal Deficits in Year Following Onset of Recession

(Expressed in millions of dollars)

	GNP	Federal Deficit	Deficit as Percentage of GNP
1961	$ 523	$ 3.4	0.6%
1968	868	25.2 (surplus 1969)	2.9
1971	1,063	46.4 (1971-72)	4.4
1975	1,529	111.5 (1975-76)	7.3
1979	2,368	176.0 (1977-80)	7.5

1. 1977-80 total as percentage of 1979 GNP

In total, $176 billion in federal deficits will have been recorded by the end of the current fiscal year in October 1980. This act of unprecedented fiscal irresponsibility has been a key factor in both the decline in the international value of the dollar and today's raging price inflation.

10. A year from today, it is likely that 1980 will be viewed as a transition year that witnessed a peaking of overall economic activity and the start of a very pervasive and financially debilitating economic contraction. The U.S. economy, having been fueled artifically by the forced creation of credit at all levels, will find itself faced with the impossible task of servicing its record debt load under very unfavorable economic conditions. The set of economic and monetary conditions summarized in the above table tells only part of the story. The GNP is

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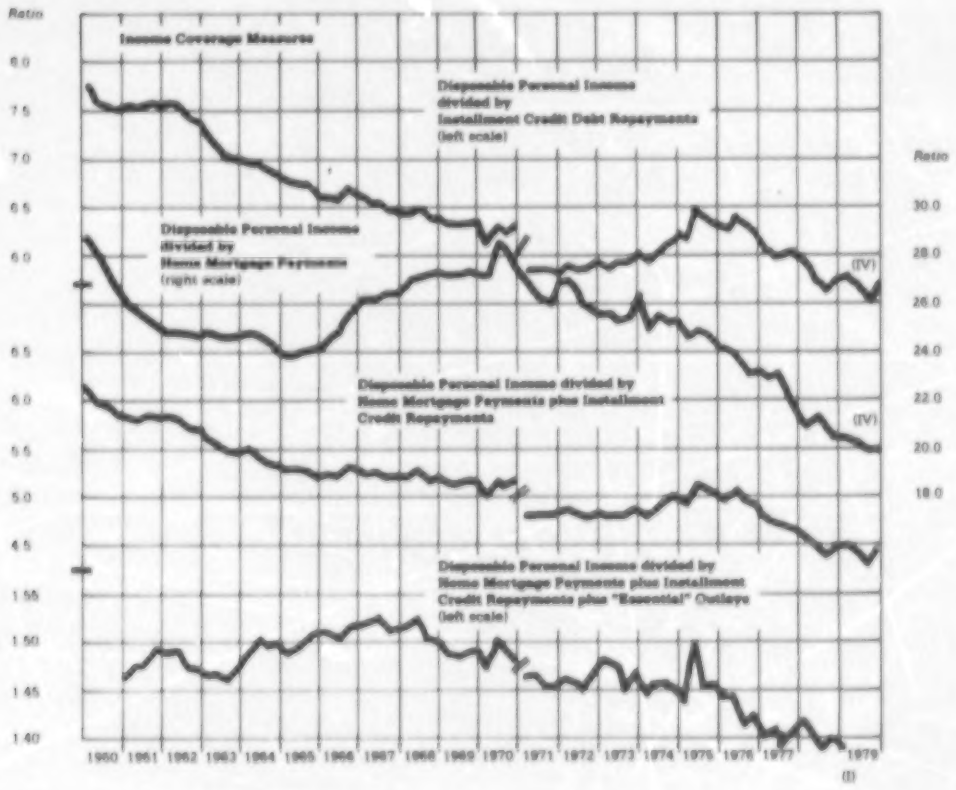
estimated to decline only 2 percent because the economy will actually be growing until early summer. The major decline in GNP will come in 1981 because the federal government, with no plan to deal with major economic adversity, will be swept into deep deficit overnight. Real GNP could decline 5 percent in 1981 and the federal deficit exceed $80 billion. Every *one-percent increase* in unemployment increases the federal *deficit* by *$20 billion.* Every *one-percent increase* in the consumer's savings rate cuts personal consumption by

Indicators of the Consumer Debt Burden



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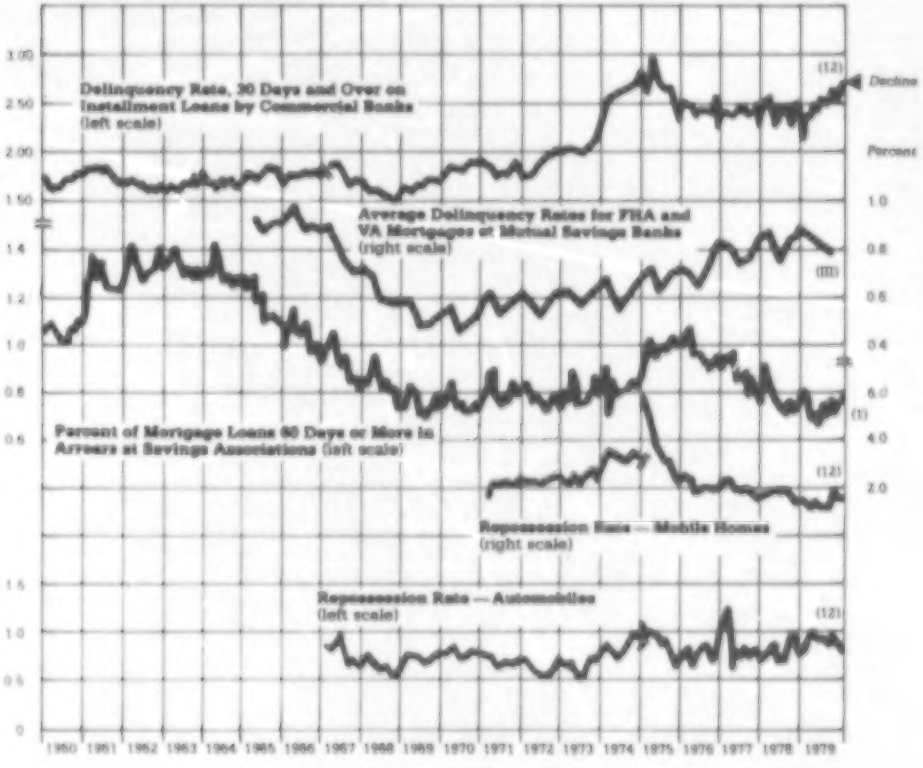
$40 billion. This is precisely the mix of economic fundamentals that is likely to unfold by year-end 1980. Since there have been no fundamental programs to reduce inflation in the last three years, inflation will seek its own solution — a collapse of our domestic financial system, starting first with the savings industry.

Looking at today's economic fundamentals, we see that the consumer is more overextended than ever before. Why?

Delinquency and Repression Rates



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The true measurement of monetary policy is credit expansion. In contrast to the Federal Reserve's rhetoric, credit expansion has been once again permitted to get out of control, taking interest rates with it.

Domestic Credit Expansion
Money Stock and Interest Rates

The inflation psychology is king. It drives consumers to:

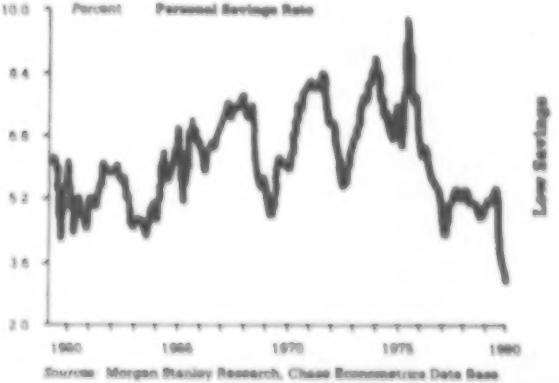
1. Borrow at low, after-tax interest rates (averaging 5 to 6 percent in 1979) to acquire tangible assets appreciating in value at a faster rate (housing was up 14 to 15 percent in 1979).
2. Reduce savings that, after tax, yield only 3 to 6 percent (depending on tax bracket) to purchase tangible assets viewed as inflation hedges.

The Sharp Rise in the Debt-Service Burden of Consumers

● Break in series, data revised

Source: Chase Econometric Associates Data Base, Federal Reserve Board, Morgan Stanley Research

Savings Rate at Record Low



Sources: Morgan Stanley Research, Chase Econometrics Data Base

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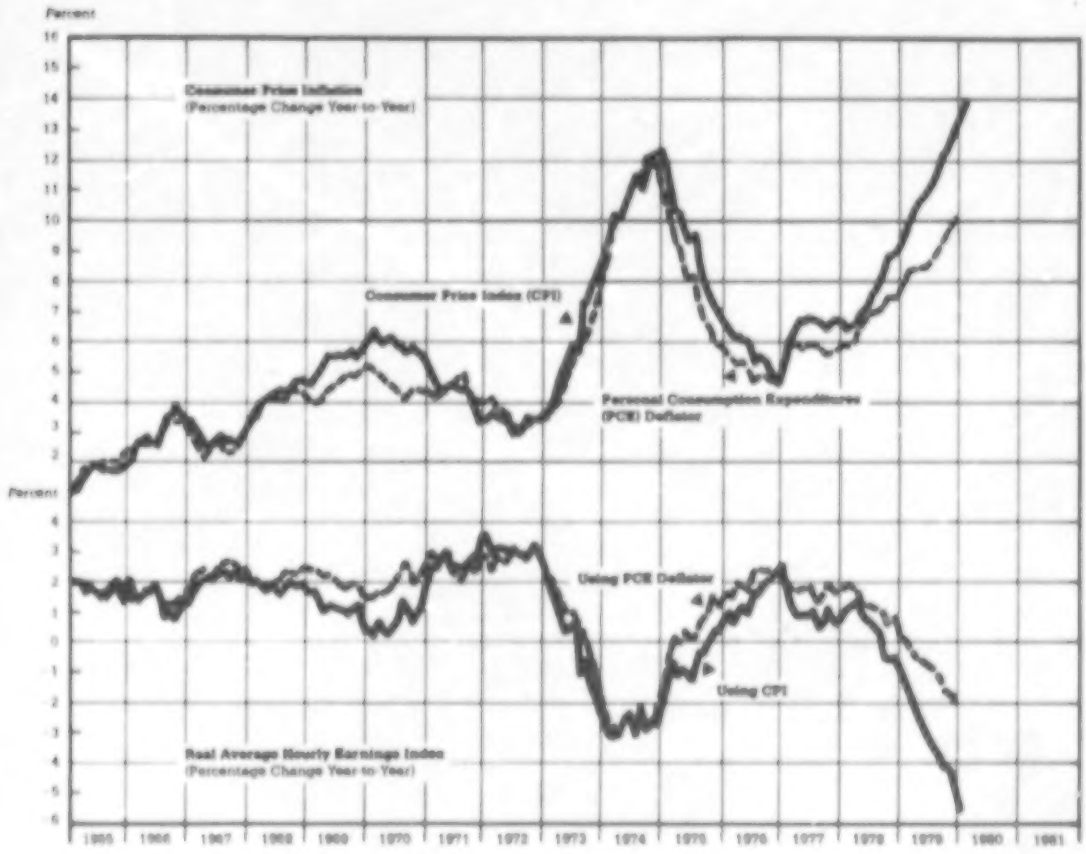
Real hourly earnings, negative throughout 1979, are falling more deeply into the red. Economic momentum was maintained in 1979 by continued, albeit slower, additions to the work force, i.e., 400,800 jobs added in 1978 versus 210,800 in 1979.

Real Hourly Earnings, Using Alternative Consumer Price Measurements



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The "wealth effect" of real estate appreciation is reversing as sales of existing homes decline and prices weaken. A conservative estimate of consumer expenditures financed by capital gains on home sales is $75 to $100 billion for the period 1977-79.

Existing Single-Family Homes Sales

Source: National Association of Realtors

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Household Credit Demand Variables

	Median Sales Price of California Houses[1]			U.S. Median Sales Price of Existing Homes		Housing		Outstanding Mortgage Commitments at All Savings and Loans	Residual Mortgage Debt Extension	Consumer Confidence	Consumer Credit as a Percentage
	Amount	Changes Mo./Mo.	Changes Yr./Yr.	Amount	Change Yr./Yr.	Starts (Million Units)	Completions (Million Units)	(Billions of dollars) (Seasonal Adjustment)	(Billions of Dollars) (Seasonal Adjustment) Annual Rate	Conference Board (1969-70 = 100)	of Personal Income[2]
1976											
January	$44,000	+7.1%	—	$36,300	+ 9.3%	1.200	1.252	$18.5	—	93.3	12.15%
February	44,800	+1.8	—	36,200	+ 6.9	1.470	1.301	19.4	$ 62.5		12.18
March	45,500	+1.6	—	37,200	+ 8.0	1.420	1.375	19.6	—	92.2	12.22
April	46,800	+2.9	—	37,700	+ 8.1	1.395	1.294	19.7	—		12.26
May	47,100	+0.6	—	37,600	+ 6.8	1.435	1.390	20.2	55.4	90.7	12.31
June	47,875	+1.5	—	38,600	+ 8.6	1.494	1.373	20.8	—		12.38
July	49,158	+2.7	+14.3%	38,900	+ 8.5	1.413	1.307	21.1	—	90.8	12.36
August	48,918	−0.5	+13.8	39,400	+ 7.2	1.530	1.401	21.4	72.7		12.41
September	50,298	+2.8	+19.2	38,700	+ 8.2	1.700	1.387	21.9	—	90.2	12.47
October	51,725	+2.8	+22.2	38,500	+ 8.8	1.715	1.328	23.1	—		12.43
November	50,772	−1.9	+20.9	38,800	+ 8.8	1.708	1.399	24.1	78.0	91.5	12.39
December	52,297	+3.0	+27.2	39,000	+ 8.0	1.880	1.435	24.6	—		12.41
1977											
January	$52,899	+1.1%	+20.2%	$39,600	+ 9.1%	1.384	1.416	$25.0	—	90.3	13.21%
February	50,251	+0.4	+25.6	40,700	+12.4	1.602	1.637	25.5	$ 67.5		13.20
March	58,671	+0.7	+24.6	41,000	+ 8.8	2.080	1.707	26.5	—	95.2	13.24
April	58,332	+2.9	+24.6	42,000	+11.4	1.880	1.560	27.2	—		13.27
May	60,356	+3.5	+29.0	42,200	+ 9.3	1.937	1.539	27.6	113.3	99.2	13.49
June	62,431	+3.6	+30.4	43,400	+12.4	1.997	1.647	28.3	—		13.58
July	62,179	−0.4	+26.4	43,700	+12.3	2.083	1.671	29.0	—	98.7	13.50
August	63,396	+2.0	+29.6	43,900	+11.4	2.029	1.677	30.1	114.7	99.7	13.72
September	64,317	+1.5	+27.8	43,800	+13.2	2.063	1.675	30.9	—	97.6	13.70
October	64,424	+0.2	+24.6	44,000	+14.3	2.224	1.655	32.7	—	96.9	13.78
November	63,012	−2.2	+24.1	44,500	+14.7	2.096	1.709	33.6	118.8	90.1	13.87
December	63,713	+1.1	+21.8	44,200	+13.3	2.203	1.641	33.7	—	99.8	13.96
1978											
January	$65,916	+3.5%	+24.6%	$45,500	+14.0%	1.548	1.709	$33.6	—	105.2	13.95%
February	66,305	+0.6	+17.8	46,300	+13.8	1.500	1.606	33.0	$105.7	104.3	14.01
March	68,426	+3.8	+20.7	46,500	+13.4	2.047	1.821	32.7	—	98.6	14.06
April	68,852	+0.6	+18.0	48,200	+14.8	2.165	1.943	32.3	—	96.9	14.12
May	69,627	+1.1	+15.3	47,800	+13.3	2.054	1.894	31.9	118.4	88.8	14.29
June	70,107	+0.7	+12.2	48,400	+11.5	2.124	1.990	31.5	—	92.5	14.39
July	71,133	+1.5	+14.4	49,400	+13.0	2.104	1.920	31.5	—	88.8	14.38
August	71,454	+0.4	+12.7	50,300	+14.5	2.004	1.948	31.9	115.6	91.4	14.40
September	72,745	+1.8	+13.1	50,200	+14.6	2.024	1.900	32.3	—	95.4	14.50
October	71,352	−1.9	+10.8	50,100	+13.9	2.054	1.893	33.9	—	101.4	14.56
November	71,872	+0.7	+14.0	50,700	+13.9	2.107	1.895	34.0	124.1	91.8	14.61
December	71,281	−0.8	+11.9	50,900	+15.2	2.074	1.880	33.4	—	94.0	14.65
1979											
January	$73,493	+3.1%	+11.4%	$52,000	+14.2%	1.879	1.915	$32.6	—	94.0	14.70%
February	75,519	+2.8	+13.9	51,900	+12.1	1.381	1.894	31.8	$110.0	94.1	14.91
March	77,175	+2.2	+12.8	53,800	+15.7	1.786	1.957	31.4	—	89.8	14.84
April	79,457	+3.0	+15.4	54,700	+13.5	1.745	2.015	31.8	—	91.5	14.90
May	81,051	+2.0	+16.4	55,900	+16.9	1.835	2.016	31.3	118.1	79.5	15.08
June	82,094	+1.3	+15.2	56,800	+15.0	1.923	1.960	31.1	—	78.8	15.11
July	84,999	+3.5	+19.5	57,900	+17.2	1.788	1.745	31.3	—	87.1	15.03
August	85,309	+0.4	+19.4	57,700	+14.7	1.793	1.739	31.8	114.0	84.9	15.04
September	86,703	+1.6	+19.2	57,300	+14.1	1.921	1.957	32.7	—	79.3	15.16
October	86,512	+0.2	+21.2	56,300	+12.4	1.782	1.819	32.3	—	86.1	15.13
November	87,886	+1.6	+22.3	55,600	+ 9.7	1.522	N/AV	29.5	—	85.1	15.09
December	88,310	+0.5	+23.9	56,500	+11.0	1.527	N/AV	28.0	—	83.5	N/AV
1980											
January	N/AV	N/AV	N/AV	N/AV	N/AV	N/AV	N/AV	N/AV	—	82.0P	N/AV

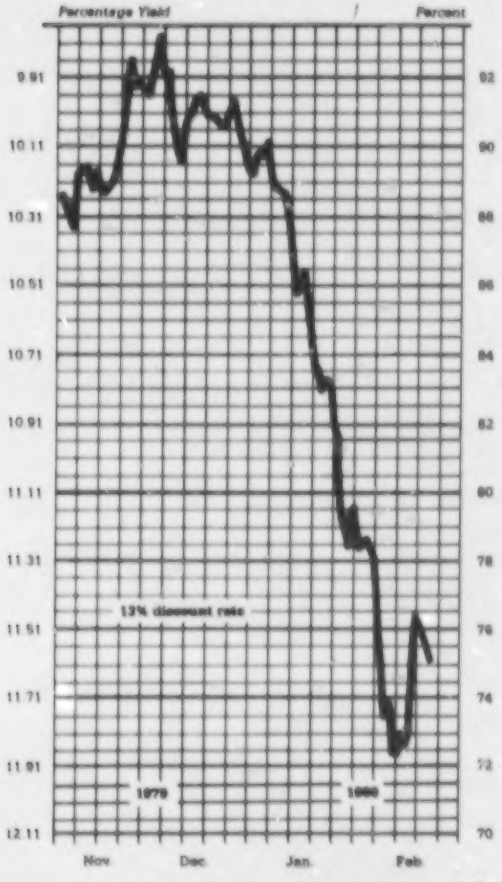
1. Source: California Association of Realtors.
2. In the last cycle consumer credit peaked at 13.13% of personal income in February 1974 and bottomed at 12.13% in November 1975.

N/AV = Not Available
P = Preliminary

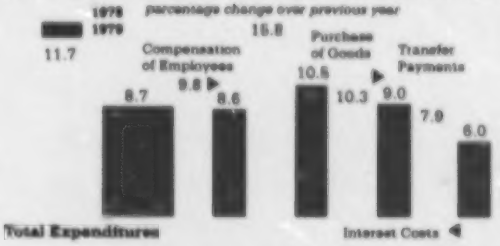
The "wealth effect" is also being shattered by the collapse in long-term bond values. Estimates are that $400 billion in assets have been wiped out since November 1979 by the bond market collapse.

State and local governments are feeling the pinch resulting from taxpayer revolt. Watch Proposition 20 in California's 1980 general election.

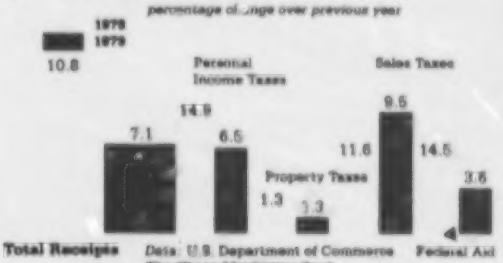
Cash U.S. Treasury Bond
9¼ of May
2004-09



While State and Local Spending Growth Has Slowed . . .

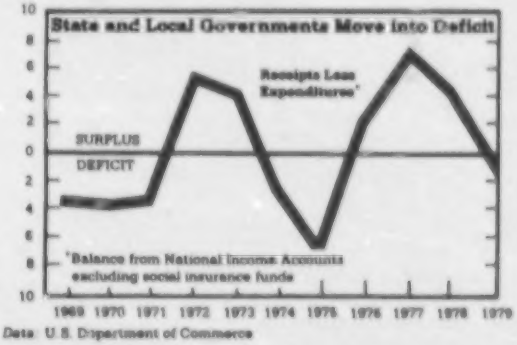


. . . Revenue Growth Has Slowed Even More



Data: U.S. Department of Commerce
The Chase Manhattan Bank
January/February 1980

billions of dollars



Data: U.S. Department of Commerce

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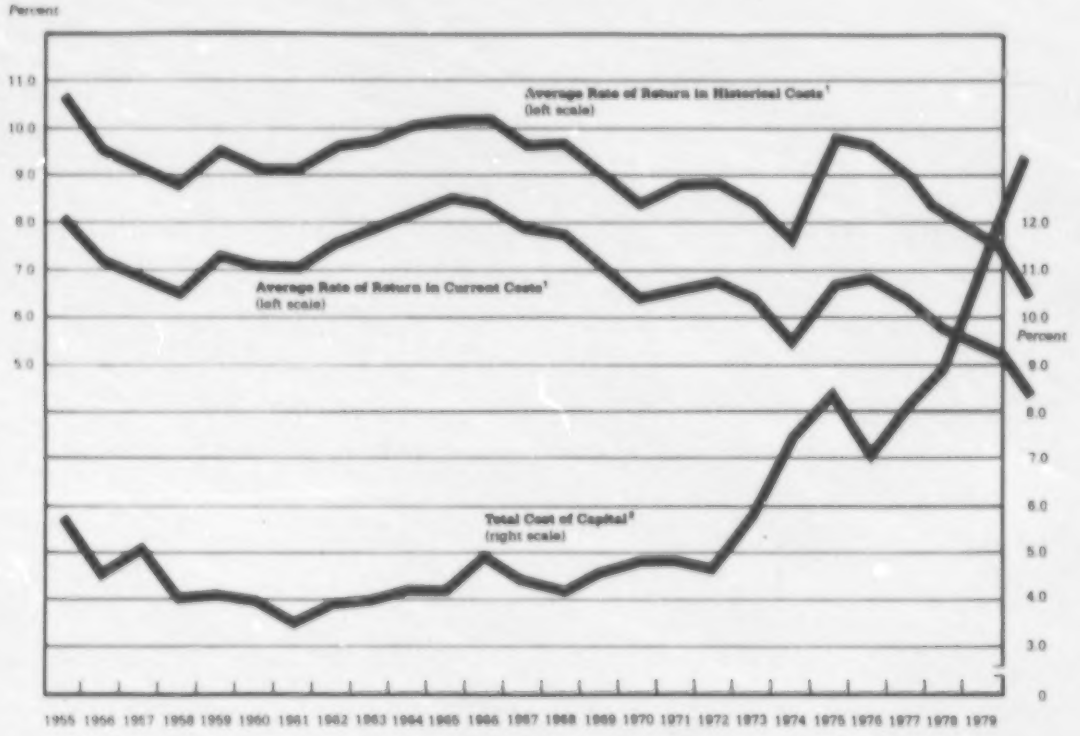
Of critical importance to all businesses today is the increased cost of capital in relation to inflation-adjusted returns on capital. To arrive at a figure that truly represents real economic profit, one must eliminate the impact of inflation on inventory and fixed plant investment. Given the most recent escalation in price inflation, the average return on current cost is under 5 percent for American industry, versus a cost of capital of over 13 percent. It is little wonder that we are not replacing our business and industrial plant at the present level of capital expenditures.

Rates of Return and the Cost of Capital for Nonfinancial Corporations



[1] After-tax profits (excluding inventory profits and deficient depreciation) plus gross interest paid divided by total assets of all nonfinancial corporations, all in historical costs or current costs. Return is normalized to average capacity utilisations.

[2] Equity earnings price ratio, Aaa bond rate, prime bank rate weighted by equity portion of financing, bond portion and short-term debt portion, respectively. Bond and prime rate multiplied by 1.0 minus the corporate effective tax rate.

Sources: U.S. Department of Commerce, Board of Governors of the Federal Reserve System, Standard & Poor's Corp., Moody's Investor's Service, Inc.

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Publisher-Bookseller Conflicts and Opportunities

I have reviewed several articles, some quite hostile, dealing with the relationship of publishers and booksellers. Sensitive areas include discriminatory discount practices, skyrocketing distribution costs, growing dominance of chains, and escalation in book costs due to price increases.

I would submit that most of the industry issues now surfacing in a more vocal, less tempered, manner are caused by pressures that have little to do with industry practices and supplier relationships. Our system is plagued by inflation and the very definition of inflation is shortage, shortage of equity, profits and cash flow, working capital, profit margins, and product in terms of type and timely availability.

If industry participants are dominated by the need to find someone to blame, then it is easy under current conditions to rationalize our problems in terms of someone else's inadequacies, selfishness, or predatory bent. Paper suppliers, book manufacturers, publishers, and retailers can all be singled out as myopic and self-serving if "blame placing" becomes a principal management preoccupation. Unfortunately, such exercises are not a productive use of management's time and energy. Everyone is suffering today from a malaise that is called "de facto confiscation of property." It is being vigorously promoted by government at all levels through the interplay of price inflation and the tax system. Most of today's business problems result from this most destructive force, which must be stopped if business is to survive.

Obviously, small business is hurt most by inflation. The dichotomy in profit return between small and large booksellers is not unusual; however, the same is true of book manufacturers and publishers. Several publishers are in fact losing money today and many others would be if it were not for highly profitable backlist sales and reprints. There are no easy answers or immediate solutions to the problems voiced by publishers and booksellers. The consumer is also angered. The Book Industry Study Group's Consumer Research Study on Reading and Book Purchasing concluded that 30 percent of book readers do not now go to bookstores because "Books have become so expensive, I can't afford to purchase them." Of total book reader-purchasers, 43 percent are now exclusive paperback purchasers.

I can offer no solution to the dilemma this industry faces other than to say that it is not dissimilar to that faced by all industry in the United States. Some observations for discussion follow.

Book Publishing and the Consumer Economy in 1976-78

(Expressed in thousands of dollars)

	Percentage Change in Dollars			Percentage Change in Units		
	1976	1977	1978	1976	1977	1978
Pertinent Income Relationships						
Personal Income	+11.1	+11.1	+12.1	+ 5.6	+ 5.6	+ 5.2
Income Taxes	+15.5	+15.5	+14.4	+10.0	+10.0	+15.5
Disposable Income	+10.4	+10.4	+11.7	+ 4.5	+ 4.5	+ 4.6
Consumer Expenditures	+10.7	+10.7	+12.0	+ 4.9	+ 4.9	+ 4.5
Expenditures for Books						
Consumer	+13.6	+17.0	+14.4	+11.7	+11.4	+ 6.4
Educational	+ 8.8	+11.0	+14.7	+ 1.7	+ 2.0	+ 2.3
Other	+ 5.4	+11.8	+10.6	+ 0.5	+15.1	+ 5.4
	+13.2%	+14.1%	+14.1%	+ 8.4%	+ 8.8%	+ 5.3%
Pertinent Price Data						
Consumer Price Index	+ 5.8	+ 6.5	+ 7.7			
Wholesale Price Index	+ 6.3	+ 7.5	+ 7.3			
GNP Price Deflator	+ 5.1	+ 5.5	+ 7.3			
Books						
Consumer	+10.5	+ 4.8	+ 7.8			
Except Mass Market Paperback	+ 5.7	+ 7.6	+ 4.2			
Educational	+ 7.9	+ 8.8	+12.2			
Other	+ 4.9	- 2.5	+ 4.9			
Total	+ 9.0	+ 4.7	+ 8.5			
Total Except Mass Market Paperback	+ 6.5	+ 6.7	+ 6.9			

During the recent period of economic recovery, expenditures for books have exceeded the growth in consumer income by a considerable margin. In real, inflation-adjusted terms, unit book sales grew faster than the real growth in the U.S. economy.

Book Market Growth

Publishers' Sales in Units through General Retailers

(Expressed in thousands of units)

	1974	1978	Percentage Change	1979	Percentage Change
All Trade Books					
Total Sales	264.2	312.4	+18	325.4	+4
By General Retailers	143.3	179.2	+25	193.2	+8
General Retailers as Percentage of Total	54%	57%		60%	

In the all-important trade book sector, retailers have not only experienced satisfactory unit volume growth since the 1974 recession, they have increased their market share.

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Characteristics of Stores Profiled by the American Booksellers Association Survey: 1977

Observations

1. More than 50 percent of stores generate an annual volume of $100,000 or less.
2. Percent selling space is not significantly different between smaller and larger stores.
3. Larger stores generate two to three times more volume per square foot of selling space than smaller stores.
4. Sales mix of smaller stores ($100,000 and less) does not differ dramatically from that of larger stores ($300,000 to $500,000).
5. Cost of goods sold is not dramatically different for most profitable versus unprofitable units.

Possible Explanation of Superior Profitability of Larger Stores

1. Economies of scale (spreading fixed cost burden of rent, utilities, insurance, labor interest).
2. Longer work week (evenings and Sundays).
3. More large units, parts of chains that receive higher discounts.
4. Better located because of sophisticated site selection by chains and larger independents.

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Other Publications from the Center for the Book

Reading in America 1978. 1979. 98 p. $4.95. Available from the Information Office, Library of Congress, Washington, D.C. 20540. Edited by John Y. Cole, executive director of the Center for the Book, and Carol S. Gold, manager, marketing research, John Wiley & Sons. A summary of the most important findings of the Consumer Research Study on Reading and Book Purchasing, conducted by Yankelovich, Skelly and White, Inc., for the Book Industry Study Group, Inc. This inquiry into the reading and book-buying habits and motivations of the American public covers the United States population age sixteen and over from both a descriptive and a diagnostic viewpoint. Along with the findings are highlights from discussions held at the Library of Congress on October 25 and 26, 1978, and excerpts from letters on the study written to the Center for the Book following the discussions.

Television, the Book, and the Classroom. 1978. 128 p. $4.95. Available from the Information Office, Library of Congress, Washington, D.C. 20540. Edited by John Y. Cole, the Center for the Book. Eight papers delivered during a seminar at the Library of Congress on April 26 and 27, 1978, cosponsored by the Center for the Book and the U.S. Office of Education, on the possible uses of television in the classroom and on both its salutary and its deleterious effects on culture and learning. A summary of the discussion that followed each paper is provided. Includes opening remarks by Librarian of Congress Daniel J. Boorstin and U.S. Commissioner of Education Ernest L. Boyer, keynote talks by Mortimer J. Adler and Frank Stanton, a list of seminar participants, and a guide to further information on the subject.

The Textbook in American Society. 1981. 68 p. $5.95. Edited by John Y. Cole, Center for the Book, and Thomas G. Sticht, U.S. National Institute of Education. Available from the Information Office, Library of Congress, Washington, D.C. 20540. Major excerpts from seventeen papers delivered at the Library of Congress on May 2-3, 1979, by publishers, educators, and others on the production, selection, and use of textbooks. Shows the way many persons contribute to the production of the textbooks used in the nation's classrooms. Includes a foreword by Librarian of Congress Daniel J. Boorstin and remarks by Frances FitzGerald at a meeting sponsored by the Association of American Publishers.

Designed by Derry Noyes Craig. Typeset in Serifa by General Typographers, Washington, D.C. Printed on Mohawk Superfine by Virginia Lithograph, Arlington, Virginia.

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